



**POLK COUNTY, MISSOURI
YEARS ENDED DECEMBER 31, 2003 AND 2002**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2004-82
September 30, 2004
www.auditor.mo.gov**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

September 2004

IMPORTANT: The Missouri State Auditor is required by state law to conduct audits once every 4 years in counties, like Polk, that do not have a county auditor. In addition to a financial and compliance audit of various county operating funds, the State Auditor's statutory audit covers additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Polk County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- Bids were not always solicited nor was bid documentation always retained by the county for various purchases. While the county provided some explanations, documentation of the bids or sole source procurement was not maintained or recorded in the County Commission minutes. Additionally, the county provided assistance to various political subdivisions and organizations within Polk County without written agreements or requiring supporting documentation of the use of the monies.
- The county's annual published financial statement did not include the appropriate expenditure detail as required by Section 50.800, RSMo 2000 and the financial activity for some county funds was not included. Most of these unreported funds were controlled by entities outside of the control of the County Commission.
- The Thirtieth Judicial Circuit Juvenile Detention Center (JDC) has accumulated a substantial unrestricted cash balance with no documented plans for its use. The JDC cash balance at December 31, 2003 totaled more than \$1 million and according to the JDC's 2004 budget, is expected to be more than \$1.2 million by December 31, 2004. While the Circuit Judge indicated these funds would be used for facility expansion and repairs, the number of juveniles housed by the JDC has been decreasing and the JDC's 2004 budget did not reflect an increase in the amount needed for building repairs. Additionally, the agreement between the JDC and the five counties in the Thirtieth Circuit (Benton, Dallas, Hickory, Polk, and Webster) indicates that the JDC will operate on or near a break-even basis; however, the JDC has continued to bill the counties for costs associated with the facility. Further, the JDC has not solicited bids for banking services, not entered into a written agreement with its depository banks, and not adequately secured all deposits. Bids were not solicited for food purchases and the JDC does not have a policy to address meals provided to employees.

(over)

YELLOW SHEET

- The Senate Bill 40 Board provided funds approximating \$57,000 and \$38,000 in 2003 and 2002 to various organizations, but did not enter into written contracts with the entities or ensure monies distributed were expended on the item or services requested. In addition, a complete and accurate budget was not prepared, and actual expenditures exceeded the amount budgeted in 2003 by \$10,015. Finally, the regular board minutes did not always document the specific reasons for closing the meeting and actions taken by the board in closed meetings.
- The financial condition of the Emergency 911 Central Dispatch needs to be reviewed by the Board. During December 2003 accounting records showed a negative \$732 cash balance. Federal grant funds totaling \$147,535 were used to cover the negative balance, while loans were obtained to purchase the equipment required under the grant. In addition, the Dispatch Center's budget contained errors, and actual expenditures exceeded the amount budgeted in 2003 by \$144,926. Finally, board minutes did not document the specific reasons for closing the meeting and actions taken by the board in closed meetings.

Also included in the audit are recommendations related to the preparation of the county's schedule of expenditures of federal awards, filing of Form 1099 Miscellaneous, cellular telephones, vending machine procedures, officials' salaries, general fixed assets, and changes to the tax books. The audit also suggests improvements in the procedures of the Circuit Clerk, Prosecuting Attorney, Sheriff, Juvenile Division, and Health Center.

All reports are available on our website: www.auditor.mo.gov

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission
and
Officeholders of Polk County, Missouri

We have audited the accompanying Statements of Receipts, Disbursements, and Changes in Cash - Various Funds and Comparative Statement of Receipts, Disbursements, and Changes in Cash - Budget and Actual - Various Funds of Polk County, Missouri, as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1 to the financial statements, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Polk County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2003 and 2002, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated August 18, 2004, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Polk County, Missouri, and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above. Accordingly, we express no opinion on the information.



Claire McCaskill
State Auditor

August 18, 2004 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Donna Christian, CPA, CGFM
In-Charge Auditor:	Sharon Eagleburger, CPA
Audit Staff:	Monte Davault
	Roberta Bledsoe
	Mark Hubbell



CLAIRE C. McCASKILL
Missouri State Auditor

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the County Commission
and
Officeholders of Polk County, Missouri

We have audited the financial statements of various funds of Polk County, Missouri, as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated August 18, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements of various funds of Polk County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of various funds of Polk County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition

in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information and use of the management of Polk County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo 2000, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

August 18, 2004 (fieldwork completion date)

Financial Statements

Exhibit A-1

POLK COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2003

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 1,135,963	1,193,747	1,200,534	1,129,176
Special Road and Bridge	104,647	2,424,894	2,441,478	88,063
Assessment	2	203,243	203,243	2
Law Enforcement Training	14,722	7,317	7,757	14,282
Prosecuting Attorney Training	7,801	1,166	1,230	7,737
Law Enforcement Sales Tax	369,550	1,465,420	1,689,770	145,200
Capital Improvement Sales Tax	298,263	1,200,180	1,337,183	161,260
Emergency 911	39,932	216,765	256,636	61
Child Support Enforcement	0	118,770	118,770	0
Prosecuting Attorney Bad Check	55,072	25,256	45,668	34,660
Recorder User Fee	9,197	28,669	15,157	22,709
Prosecuting Attorney Delinquent Tax	4,500	96	3,600	996
Sheriff Civil Fees	18,997	35,748	16,274	38,471
Special Trust	1,025	1,020	1,025	1,020
Moore Cemetery Trust	3,866	170	123	3,913
Recycling Project	0	23,131	22,943	188
Local Emergency Planning Committee	7,893	6,761	4,985	9,669
Juvenile Detention Center	80,876	30,855	12,128	99,603
Veterans Memorial	2,620	358	0	2,978
Election Services	6,900	1,441	753	7,588
Collector Tax Maintenance	705	19,399	10,438	9,666
Health Center	142,271	578,602	521,497	199,376
Senate Bill 40 Board	44,262	39,924	58,626	25,560
Emergency 911 Central Dispatch	0	741,661	594,858	146,803
Sheriff Special Operations	502	3,543	606	3,439
Law Library	8,187	13,621	16,925	4,883
Circuit Clerk Interest	1,751	1,065	684	2,132
Associate Interest	9,374	75	0	9,449
Total	\$ 2,368,878	8,382,897	8,582,891	2,168,884

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

POLK COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2002

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 965,255	1,355,114	1,184,406	1,135,963
Special Road and Bridge	8,100	2,259,488	2,162,941	104,647
Assessment	0	193,942	193,940	2
Law Enforcement Training	17,986	5,780	9,044	14,722
Prosecuting Attorney Training	7,437	1,140	776	7,801
Law Enforcement Sales Tax	579,257	1,395,024	1,604,731	369,550
Capital Improvement Sales Tax	114,710	1,156,091	972,538	298,263
Emergency 911	10,007	307,427	277,502	39,932
Child Support Enforcement	0	118,500	118,500	0
Prosecuting Attorney Bad Check	42,700	37,650	25,278	55,072
Recorder User Fee	15,409	26,657	32,869	9,197
Prosecuting Attorney Delinquent Tax	5,357	184	1,041	4,500
Sheriff Civil Fees	29,082	33,803	43,888	18,997
Special Trust	709	1,025	709	1,025
Moore Cemetery Trust	3,776	195	105	3,866
Recycling Project	13,206	7,026	20,232	0
Local Emergency Planning Committee	10,821	5,323	8,251	7,893
Juvenile Detention Center	58,195	35,477	12,796	80,876
Veterans Memorial	2,492	128	0	2,620
Election Services	5,235	2,690	1,025	6,900
Collector Tax Maintenance	0	705	0	705
Health Center	72,069	527,307	457,105	142,271
Senate Bill 40 Board	43,575	40,113	39,426	44,262
Sheriff Special Operations	4,488	5,885	9,871	502
Law Library	5,975	13,760	11,548	8,187
Circuit Clerk Interest	1,650	301	200	1,751
Associate Interest	8,907	467	0	9,374
Total	\$ 2,026,398	7,531,202	7,188,722	2,368,878

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

POLK COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2003			2002		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>TOTALS - VARIOUS FUNDS</u>						
RECEIPTS	\$ 8,068,106	8,364,593	296,487	7,044,230	7,510,084	465,854
DISBURSEMENTS	9,126,577	8,564,676	561,901	7,896,853	7,167,103	729,750
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,058,471)	(200,083)	858,388	(852,623)	342,981	1,195,604
CASH, JANUARY 1	2,357,970	2,349,064	(8,906)	1,990,710	1,995,371	4,661
CASH, DECEMBER 31	1,299,499	2,148,981	849,482	1,148,094	2,348,359	1,200,265
<u>GENERAL REVENUE FUND</u>						
RECEIPTS						
Property taxes	651,753	638,914	(12,839)	631,025	636,376	5,351
Intergovernmental	36,819	57,458	20,639	245,299	236,198	(9,101)
Charges for services	341,000	382,178	41,178	322,300	349,169	26,869
Interest	32,000	28,554	(3,446)	58,000	37,630	(20,370)
Other	59,725	83,143	23,418	81,377	95,741	14,364
Transfers in	3,500	3,500	0	0	0	0
Total Receipts	1,124,797	1,193,747	68,950	1,338,001	1,355,114	17,113
DISBURSEMENTS						
County Commissior	108,430	108,829	(399)	102,820	100,475	2,345
County Clerk	85,702	82,933	2,769	83,268	80,172	3,096
Elections	76,335	65,297	11,038	113,275	110,937	2,338
Building and grounds	337,995	316,799	21,196	242,422	191,164	51,258
Employee fringe benefit	55,964	66,220	(10,256)	51,947	51,731	216
County Treasurer	74,077	73,077	1,000	61,758	59,579	2,179
County Collector	113,040	96,243	16,797	111,284	98,997	12,287
Recorder of Deeds	85,602	78,776	6,826	56,544	56,874	(330)
Circuit Clerk	68,400	43,718	24,682	67,100	39,132	27,968
Public Administrator	46,600	45,824	776	47,845	46,394	1,451
Court Reporter	1,355	665	690	1,352	969	383
Circuit Judge	10,547	3,826	6,721	11,005	2,856	8,149
Senior Citizen Grant	0	0	0	202,500	202,500	0
Other	167,106	158,685	8,421	139,982	114,731	25,251
Transfers out	80,909	59,642	21,267	42,937	27,895	15,042
Emergency Fund	33,400	0	33,400	40,200	0	40,200
Total Disbursements	1,345,462	1,200,534	144,928	1,376,239	1,184,406	191,833
RECEIPTS OVER (UNDER) DISBURSEMENTS	(220,665)	(6,787)	213,878	(38,238)	170,708	208,946
CASH, JANUARY 1	1,135,963	1,135,963	0	965,255	965,255	0
CASH, DECEMBER 31	915,298	1,129,176	213,878	927,017	1,135,963	208,946

Exhibit B

POLK COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2003			2002		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	292,950	327,766	34,816	256,931	319,565	62,634
Intergovernmental	908,000	928,663	20,663	947,000	1,130,963	183,963
Interest	2,800	2,776	(24)	3,000	2,879	(121)
Other	1,000	5,689	4,689	500	6,081	5,581
Transfers in	1,176,000	1,160,000	(16,000)	969,700	800,000	(169,700)
Total Receipts	2,380,750	2,424,894	44,144	2,177,131	2,259,488	82,357
DISBURSEMENTS						
Salaries	537,500	524,859	12,641	526,000	521,195	4,805
Employee fringe benefit	147,033	143,288	3,745	132,453	128,892	3,561
Supplies	159,000	158,228	772	147,165	149,237	(2,072)
Insurance	32,000	34,856	(2,856)	31,000	30,049	951
Road and bridge materials	1,070,500	1,103,763	(33,263)	915,000	814,497	100,503
Equipment repairs	135,000	107,470	27,530	90,000	138,554	(48,554)
Uniform rental	7,600	7,735	(135)	6,800	7,554	(754)
Equipment purchases	203,795	205,424	(1,629)	80,000	131,242	(51,242)
Construction, repair, and maintenance	3,000	2,187	813	91,000	110,066	(19,066)
Other	32,500	23,348	9,152	16,700	2,622	14,078
Distribution to road districts	129,000	130,320	(1,320)	127,000	129,033	(2,033)
Total Disbursements	2,456,928	2,441,478	15,450	2,163,118	2,162,941	177
RECEIPTS OVER (UNDER) DISBURSEMENTS	(76,178)	(16,584)	59,594	14,013	96,547	82,534
CASH, JANUARY 1	104,647	104,647	0	8,100	8,100	0
CASH, DECEMBER 31	28,469	88,063	59,594	22,113	104,647	82,534
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	165,931	173,155	7,224	176,040	173,647	(2,393)
Interest	890	476	(414)	1,800	893	(907)
Other	1,700	2,296	596	4,500	2,202	(2,298)
Transfers in	47,927	27,316	(20,611)	32,137	17,200	(14,937)
Total Receipts	216,448	203,243	(13,205)	214,477	193,942	(20,535)
DISBURSEMENTS						
Assessor	216,450	203,243	13,207	214,477	193,940	20,537
Total Disbursements	216,450	203,243	13,207	214,477	193,940	20,537
RECEIPTS OVER (UNDER) DISBURSEMENTS	(2)	0	2	0	2	2
CASH, JANUARY 1	2	2	0	0	0	0
CASH, DECEMBER 31	0	2	2	0	2	2

Exhibit B

POLK COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2003			2002		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Intergovernmental	500	2,135	1,635	3,000	545	(2,455)
Charges for service:	4,700	4,772	72	4,000	4,813	813
Interest	400	258	(142)	500	420	(80)
Other	0	152	152	0	2	2
Total Receipts	5,600	7,317	1,717	7,500	5,780	(1,720)
DISBURSEMENTS						
Sheriff	13,000	7,757	5,243	12,800	9,044	3,756
Total Disbursements	13,000	7,757	5,243	12,800	9,044	3,756
RECEIPTS OVER (UNDER) DISBURSEMENTS	(7,400)	(440)	6,960	(5,300)	(3,264)	2,036
CASH, JANUARY 1	14,722	14,722	0	17,986	17,986	0
CASH, DECEMBER 31	7,322	14,282	6,960	12,686	14,722	2,036
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for service:	1,140	1,166	26	1,000	1,140	140
Total Receipts	1,140	1,166	26	1,000	1,140	140
DISBURSEMENTS						
Prosecuting Attorney	1,550	1,230	320	1,750	776	974
Total Disbursements	1,550	1,230	320	1,750	776	974
RECEIPTS OVER (UNDER) DISBURSEMENTS	(410)	(64)	346	(750)	364	1,114
CASH, JANUARY 1	7,801	7,801	0	7,437	7,437	0
CASH, DECEMBER 31	7,391	7,737	346	6,687	7,801	1,114
<u>LAW ENFORCEMENT SALES TAX FUND</u>						
RECEIPTS						
Sales tax	1,100,000	1,195,831	95,831	1,000,000	1,149,579	149,579
Intergovernmental	134,996	45,223	(89,773)	32,048	33,584	1,536
Charges for service:	110,000	91,387	(18,613)	109,000	110,899	1,899
Interest	12,500	4,754	(7,746)	30,000	12,929	(17,071)
Other	115,500	100,531	(14,969)	100,500	86,992	(13,508)
Transfers in	24,700	27,694	2,994	11,200	1,041	(10,159)
Total Receipts	1,497,696	1,465,420	(32,276)	1,282,748	1,395,024	112,276
DISBURSEMENTS						
Sheriff	998,592	984,685	13,907	964,886	946,775	18,111
Jail	271,954	236,536	35,418	234,400	219,868	14,532
Prosecuting Attorney	201,100	209,292	(8,192)	190,874	182,974	7,900
Juvenile Office	37,953	19,490	18,463	39,644	26,117	13,527
County Coroner	31,965	16,601	15,364	28,581	18,738	9,843
Employee fringe benefit	228,015	223,166	4,849	285,600	180,259	105,341
Emergency Fund	45,000	0	45,000	36,000	0	36,000
Transfers out	0	0	0	30,000	30,000	0
Total Disbursements	1,814,579	1,689,770	124,809	1,809,985	1,604,731	205,254
RECEIPTS OVER (UNDER) DISBURSEMENTS	(316,883)	(224,350)	92,533	(527,237)	(209,707)	317,530
CASH, JANUARY 1	369,550	369,550	0	579,257	579,257	0
CASH, DECEMBER 31	52,667	145,200	92,533	52,020	369,550	317,530

Exhibit B

POLK COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2003			2002		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>CAPITAL IMPROVEMENT SALES TAX FUND</u>						
RECEIPTS						
Sales Tax	1,180,000	1,195,827	15,827	1,000,000	1,149,578	149,578
Interest	6,500	4,353	(2,147)	20,000	6,513	(13,487)
Total Receipts	1,186,500	1,200,180	13,680	1,020,000	1,156,091	136,091
DISBURSEMENTS						
Distributions to road district:	177,000	177,183	(183)	165,000	172,538	(7,538)
Transfers out	1,176,000	1,160,000	16,000	969,700	800,000	169,700
Total Disbursements	1,353,000	1,337,183	15,817	1,134,700	972,538	162,162
RECEIPTS OVER (UNDER) DISBURSEMENTS	(166,500)	(137,003)	29,497	(114,700)	183,553	298,253
CASH, JANUARY 1	298,263	298,263	0	114,710	114,710	0
CASH, DECEMBER 31	131,763	161,260	29,497	10	298,263	298,253
<u>EMERGENCY 911 FUND</u>						
RECEIPTS						
Charges for service:	230,000	216,261	(13,739)	224,835	266,261	41,426
Interest	1,000	431	(569)	1,600	1,166	(434)
Other	120,000	73	(119,927)	30,000	10,000	(20,000)
Transfers in	60,000	0	(60,000)	0	30,000	30,000
Total Receipts	411,000	216,765	(194,235)	256,435	307,427	50,992
DISBURSEMENTS						
Salaries	24,006	21,897	2,109	0	12,291	(12,291)
Employee fringe benefit	2,235	4,033	(1,798)	0	473	(473)
Office Expenditures:	14,250	24,121	(9,871)	0	201	(201)
Equipment	4,000	7,261	(3,261)	0	371	(371)
Mileage and training	3,100	1,532	1,568	0	688	(688)
Contracted services:	55,000	0	55,000	262,500	262,500	0
Emergency 911 Central Dispatch	344,991	196,244	148,747	0	0	0
Other	3,350	1,548	1,802	2,500	978	1,522
Total Disbursements	450,932	256,636	194,296	265,000	277,502	(12,502)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(39,932)	(39,871)	61	(8,565)	29,925	38,490
CASH, JANUARY 1	39,932	39,932	0	10,007	10,007	0
CASH, DECEMBER 31	0	61	61	1,442	39,932	38,490

Exhibit B

POLK COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2003			2002		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>CHILD SUPPORT ENFORCEMENT FUND</u>						
RECEIPTS						
Intergovernmental	125,212	109,575	(15,637)	121,187	114,831	(6,356)
Transfers in	4,000	9,195	5,195	3,000	3,669	669
Total Receipts	129,212	118,770	(10,442)	124,187	118,500	(5,687)
DISBURSEMENTS						
Salaries	86,097	86,269	(172)	84,537	84,502	35
Employee fringe benefit	16,015	15,054	961	14,700	14,564	136
Office expenditure:	14,750	11,827	2,923	14,550	12,500	2,050
Equipment	2,700	2,509	191	2,700	2,358	342
Mileage and training	3,850	2,134	1,716	3,550	3,227	323
Other	1,800	637	1,163	1,150	952	198
Transfers out	0	340	(340)	0	397	(397)
Total Disbursements	125,212	118,770	6,442	121,187	118,500	2,687
RECEIPTS OVER (UNDER) DISBURSEMENTS	4,000	0	(4,000)	3,000	0	(3,000)
CASH, JANUARY 1	0	0	0	0	0	0
CASH, DECEMBER 31	4,000	0	(4,000)	3,000	0	(3,000)
<u>PROSECUTING ATTORNEY BAD CHECK FUND</u>						
RECEIPTS						
Intergovernmental	0	0	0	0	8,643	8,643
Charges for service:	26,400	23,604	(2,796)	21,000	26,414	5,414
Interest	1,200	946	(254)	1,900	1,221	(679)
Other	0	366	366	0	975	975
Transfers in	0	340	340	0	397	397
Total Receipts	27,600	25,256	(2,344)	22,900	37,650	14,750
DISBURSEMENTS						
Prosecuting Attorney	18,550	18,168	382	28,050	25,278	2,772
Transfers out	23,500	27,500	(4,000)	0	0	0
Total Disbursements	42,050	45,668	(3,618)	28,050	25,278	2,772
RECEIPTS OVER (UNDER) DISBURSEMENTS	(14,450)	(20,412)	(5,962)	(5,150)	12,372	17,522
CASH, JANUARY 1	55,072	55,072	0	42,700	42,700	0
CASH, DECEMBER 31	40,622	34,660	(5,962)	37,550	55,072	17,522
<u>RECORDER USER FEE FUND</u>						
RECEIPTS						
Charges for service:	25,800	28,409	2,609	21,600	26,401	4,801
Interest	200	260	60	800	256	(544)
Total Receipts	26,000	28,669	2,669	22,400	26,657	4,257
DISBURSEMENTS						
Recorder of Deeds	34,000	15,157	18,843	34,000	32,869	1,131
Total Disbursements	34,000	15,157	18,843	34,000	32,869	1,131
RECEIPTS OVER (UNDER) DISBURSEMENTS	(8,000)	13,512	21,512	(11,600)	(6,212)	5,388
CASH, JANUARY 1	9,197	9,197	0	15,409	15,409	0
CASH, DECEMBER 31	1,197	22,709	21,512	3,809	9,197	5,388

Exhibit B

POLK COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2003			2002		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>PROSECUTING ATTORNEY DELINQUENT TAX FUND</u>						
RECEIPTS						
Intergovernmental	0	44	44	48	48	0
Interest	136	52	(84)	250	136	(114)
Total Receipts	136	96	(40)	298	184	(114)
DISBURSEMENTS						
Prosecuting Attorney	2,400	3,406	(1,006)	2,400	0	2,400
Transfers out	1,200	194	1,006	1,200	1,041	159
Total Disbursements	3,600	3,600	0	3,600	1,041	2,559
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,464)	(3,504)	(40)	(3,302)	(857)	2,445
CASH, JANUARY 1	4,500	4,500	0	5,357	5,357	0
CASH, DECEMBER 31	1,036	996	(40)	2,055	4,500	2,445
<u>SHERIFF CIVIL FEES FUND</u>						
RECEIPTS						
Charges for service:	30,000	35,200	5,200	29,000	33,039	4,039
Interest	500	548	48	1,500	764	(736)
Total Receipts	30,500	35,748	5,248	30,500	33,803	3,303
DISBURSEMENTS						
Equipment	45,000	16,274	28,726	45,000	43,888	1,112
Total Disbursements	45,000	16,274	28,726	45,000	43,888	1,112
RECEIPTS OVER (UNDER) DISBURSEMENTS	(14,500)	19,474	33,974	(14,500)	(10,085)	4,415
CASH, JANUARY 1	18,997	18,997	0	29,802	29,082	(720)
CASH, DECEMBER 31	4,497	38,471	33,974	15,302	18,997	3,695
<u>SPECIAL TRUST FUND</u>						
RECEIPTS						
Charges for service:	1,025	1,020	(5)	1,000	1,025	25
Total Receipts	1,025	1,020	(5)	1,000	1,025	25
DISBURSEMENTS						
Domestic Violence Shelte	1,025	1,025	0	1,500	709	791
Total Disbursements	1,025	1,025	0	1,500	709	791
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	(5)	(5)	(500)	316	816
CASH, JANUARY 1	1,025	1,025	0	709	709	0
CASH, DECEMBER 31	1,025	1,020	(5)	209	1,025	816
<u>MOORE CEMETERY TRUST FUND</u>						
RECEIPTS						
Interest	95	70	(25)	180	95	(85)
Other	0	100	100	0	100	100
Total Receipts	95	170	75	180	195	15
DISBURSEMENTS						
Cemetery improvement:	150	123	27	500	105	395
Total Disbursements	150	123	27	500	105	395
RECEIPTS OVER (UNDER) DISBURSEMENTS	(55)	47	102	(320)	90	410
CASH, JANUARY 1	3,866	3,866	0	3,776	3,776	0
CASH, DECEMBER 31	3,811	3,913	102	3,456	3,866	410

Exhibit B

POLK COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2003			2002		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>RECYCLING PROJECT FUND</u>						
RECEIPTS						
Transfers in	23,131	23,131	0	8,000	7,026	(974)
Total Receipts	23,131	23,131	0	8,000	7,026	(974)
DISBURSEMENTS						
Salaries	15,822	15,822	0	15,302	15,302	0
Employee fringe benefit	5,110	4,902	208	4,529	4,378	151
Office expenditures:	500	452	48	500	415	85
Equipment	1,500	1,669	(169)	0	0	0
Other	199	98	101	181	137	44
Total Disbursements	23,131	22,943	188	20,512	20,232	280
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	188	188	(12,512)	(13,206)	(694)
CASH, JANUARY 1	0	0	0	13,206	13,206	0
CASH, DECEMBER 31	0	188	188	694	0	(694)
<u>LOCAL EMERGENCY PLANNING COMMISSION FUND</u>						
RECEIPTS						
Intergovernmental	4,358	6,627	2,269	3,284	5,183	1,899
Other	0	134	134	0	140	140
Total Receipts	4,358	6,761	2,403	3,284	5,323	2,039
DISBURSEMENTS						
Office expense:	1,425	1,693	(268)	900	1,593	(693)
Equipment	2,900	0	2,900	4,200	1,867	2,333
Mileage and training	1,950	1,292	658	900	1,591	(691)
Other	2,000	2,000	0	2,000	3,200	(1,200)
Total Disbursements	8,275	4,985	3,290	8,000	8,251	(251)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(3,917)	1,776	5,693	(4,716)	(2,928)	1,788
CASH, JANUARY 1	7,893	7,893	0	10,821	10,821	0
CASH, DECEMBER 31	3,976	9,669	5,693	6,105	7,893	1,788
<u>JUVENILE DETENTION CENTER FUND</u>						
RECEIPTS						
Charges for service:	31,200	30,855	(345)	36,750	35,477	(1,273)
Total Receipts	31,200	30,855	(345)	36,750	35,477	(1,273)
DISBURSEMENTS						
Juvenile Detention Center	58,943	12,128	46,815	72,455	12,796	59,659
Total Disbursements	58,943	12,128	46,815	72,455	12,796	59,659
RECEIPTS OVER (UNDER) DISBURSEMENTS	(27,743)	18,727	46,470	(35,705)	22,681	58,386
CASH, JANUARY 1	80,876	80,876	0	58,195	58,195	0
CASH, DECEMBER 31	53,133	99,603	46,470	22,490	80,876	58,386

Exhibit B

POLK COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2003			2002		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>VETERANS MEMORIAL FUND</u>						
RECEIPTS						
Interest	100	358	258	200	128	(72)
Total Receipts	100	358	258	200	128	(72)
DISBURSEMENTS						
Veterans Memorial	200	0	200	200	0	200
Total Disbursements	200	0	200	200	0	200
RECEIPTS OVER (UNDER) DISBURSEMENTS	(100)	358	458	0	128	128
CASH, JANUARY 1	2,620	2,620	0	2,492	2,492	0
CASH, DECEMBER 31	2,520	2,978	458	2,492	2,620	128
<u>ELECTION SERVICES FUND</u>						
RECEIPTS						
Intergovernmental	500	131	(369)	0	1,301	1,301
Charges for services	1,000	1,172	172	1,000	1,245	245
Interest	50	128	78	50	144	94
Other	0	10	10	0	0	0
Transfers in	71	0	(71)	0	0	0
Total Receipts	1,621	1,441	(180)	1,050	2,690	1,640
DISBURSEMENTS						
Election services	1,137	753	384	1,280	1,025	255
Total Disbursements	1,137	753	384	1,280	1,025	255
RECEIPTS OVER (UNDER) DISBURSEMENTS	484	688	204	(230)	1,665	1,895
CASH, JANUARY 1	6,900	6,900	0	5,235	5,235	0
CASH, DECEMBER 31	7,384	7,588	204	5,005	6,900	1,895
<u>COLLECTOR TAX MAINTENANCE FUND</u>						
RECEIPTS						
Charges for services	16,000	19,264	3,264			
Interest	160	135	(25)			
Total Receipts	16,160	19,399	3,239			
DISBURSEMENTS						
Collector	10,460	6,938	3,522			
Transfers out	0	3,500	(3,500)			
Total Disbursements	10,460	10,438	22			
RECEIPTS OVER (UNDER) DISBURSEMENTS	5,700	8,961	3,261			
CASH, JANUARY 1	705	705	0			
CASH, DECEMBER 31	6,405	9,666	3,261			

Exhibit B

POLK COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2003			2002		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>HEALTH CENTER FUND</u>						
RECEIPTS						
Property taxes	179,112	178,307	(805)	173,205	178,030	4,825
Intergovernmental	256,603	288,909	32,306	226,639	277,752	51,113
Charges for services	46,372	66,747	20,375	43,500	51,473	7,973
Interest	3,250	3,745	495	3,500	2,978	(522)
Other	18,200	40,894	22,694	9,528	17,074	7,546
Total Receipts	503,537	578,602	75,065	456,372	527,307	70,935
DISBURSEMENTS						
Salaries	463,000	398,233	64,767	386,900	360,005	26,895
Office expenditures:	63,250	61,294	1,956	18,600	48,580	(29,980)
Equipment	12,000	4,590	7,410	11,000	6,525	4,475
Mileage and training	16,250	12,178	4,072	9,800	11,142	(1,342)
Building and grounds	10,000	7,590	2,410	8,700	5,073	3,627
Other	38,450	37,612	838	83,200	25,780	57,420
Emergency Fund	20,000	0	20,000	10,000	0	10,000
Total Disbursements	622,950	521,497	101,453	528,200	457,105	71,095
RECEIPTS OVER (UNDER) DISBURSEMENTS	(119,413)	57,105	176,518	(71,828)	70,202	142,030
CASH, JANUARY 1	142,271	142,271	0	72,069	72,069	0
CASH, DECEMBER 31	22,858	199,376	176,518	241	142,271	142,030
<u>SENATE BILL 40 BOARD FUND</u>						
RECEIPTS						
Property taxes	38,500	39,171	671	38,317	38,874	557
Interest	1,000	753	(247)	1,500	1,239	(261)
Total Receipts	39,500	39,924	424	39,817	40,113	296
DISBURSEMENTS						
Contracted services:	47,252	57,635	(10,383)	52,900	38,429	14,471
Office expense:	1,359	991	368	1,400	997	403
Total Disbursements	48,611	58,626	(10,015)	54,300	39,426	14,874
RECEIPTS OVER (UNDER) DISBURSEMENTS	(9,111)	(18,702)	(9,591)	(14,483)	687	15,170
CASH, JANUARY 1	53,168	44,262	(8,906)	38,194	43,575	5,381
CASH, DECEMBER 31	\$ 44,057	25,560	(18,497)	23,711	44,262	20,551

Exhibit B

POLK COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2003			2002		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EMERGENCY 911 CENTRAL DISPATCH						
RECEIPTS						
Intergovernmental	0	147,535	147,535			
Charges for service:	230,000	118,845	(111,155)			
Members dispatch service	180,000	125,064	(54,936)			
Loan	0	350,090	350,090			
Other	0	127	127			
Total Receipts	410,000	741,661	331,661			
DISBURSEMENTS						
Salaries and fringe benefit:	250,984	169,198	81,786			
Office expenditure:	43,540	33,583	9,957			
Insurance	3,500	4,264	(764)			
Equipment	132,208	376,469	(244,261)			
Mileage and training	10,200	1,908	8,292			
Other	9,500	9,436	64			
Total Disbursements	449,932	594,858	(144,926)			
RECEIPTS OVER (UNDER) DISBURSEMENTS	(39,932)	146,803	186,735			
CASH, JANUARY 1	0	0	0			
CASH, DECEMBER 31	(39,932)	146,803	186,735			

The accompanying Notes to the Financial Statements are an integral part of this statement.

Notes to the Financial Statements

POLK COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying financial statements present the receipts, disbursements, and changes in cash of various funds of Polk County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, the Health Center Board, the Senate Bill 40 Board, or the Emergency 911 Central Dispatch. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt formal budgets for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Sheriff Special Operations Fund	2003 and 2002
Collector Tax Maintenance Fund	2002
Law Library Fund	2003 and 2002
Circuit Clerk Interest Fund	2003 and 2002
Associate Circuit Division Interest Fund	2003 and 2002

Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets. However, expenditures exceeded budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Emergency 911 Fund	2002
Prosecuting Attorney Bad Check Fund	2003
Local Emergency Planning Commission Fund	2002
Senate Bill 40 Board Fund	2003
Emergency 911 Central Dispatch Fund	2003

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Capital Improvement Sales Tax Fund	2003 and 2002
Collector Tax Maintenance Fund	2002
Emergency 911 Central Dispatch	2003
Senate Bill 40 Board Fund	2002
Law Library Fund	2003 and 2002
Circuit Clerk Interest Fund	2003 and 2002
Associate Circuit Division Interest Fund	2003 and 2002

2. Cash

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2000, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's, Health Center Board's and Senate Bill 40 Board's deposits at December 31, 2003 and 2002, were entirely covered by federal depositary insurance or by collateral securities held by the county's, Health Center Board's, and Senate Bill 40 Board's custodial bank in the county's, Health Center Board's, or Senate Bill 40 Board's name, respectively.

Of the Emergency 911 Central Dispatch bank balance at December 31, 2003, \$100,000 was covered by federal depositary insurance and \$46,803 was uninsured and uncollateralized.

Furthermore, because of significantly higher bank balances at certain times during the year, the amounts of uninsured and uncollateralized balances for the Emergency 911 Central Dispatch were substantially higher at those times than such amounts at year-end.

To protect the safety of county deposits, Section 110.020, RSMo 2000, requires depositaries to pledge collateral securities to secure county deposits not insured by the Federal Deposit Insurance Corporation.

3. Prior Period Adjustment

The Election Service Fund's cash balance of \$5,235 at January 1, 2002, was not previously reported but has been added.

Supplementary Schedule

Schedule

POLK COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2003	2002
U. S. DEPARTMENT OF AGRICULTURE				
	Passed through state			
	Department of Social Services -			
10.550	Food Donation	N/A	\$ 12,871	14,220
	Department of Health and Senior Services -			
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ERS045-4184 ERS045-3184W ERS045-2184	19,951 57,641 0	0 16,056 66,519
	Program Total		<u>77,592</u>	<u>82,575</u>
10.559	Summer Food Service Program for Children	ERS146-3184i ERS146-2184i	325 0	0 300
	Program Total		<u>325</u>	<u>300</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
	Passed through state Department of Economic Development			
14.228	Community Development Block Grants/State' Program	2001-PF-01	0	202,500
U.S. DEPARTMENT OF JUSTICE				
	Direct programs:			
16.607	Bulletproof Vest Partnership Program	N/A	0	795
16.710	Public Safety Partnership and Community Policing Grant		13,490 0 0	0 24,574 6,945
	Program Total		<u>13,490</u>	<u>31,519</u>
	Passed through:			
	State Department of Public Safety			
16.548	Title V- Delinquency Prevention Program	N/A	0	15,086
16.592	Local Law Enforcement Block Grants Program	2002-LBG-078	2,202	0
	Missouri Sheriffs' Association -			
16	Domestic Cannabis Eradication/Suppression Program	N/A	1,386	1,023
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	2000DDVX0055	44,560	0

Schedule

POLK COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2003	2002
U. S. DEPARTMENT OF TRANSPORTATION				
	Passed through state Highway and Transportation Commission			
20.205	Highway Planning and Construction	BRO-084(7)	0	60,361
		BRO-084(8)	21,240	162,980
	Program Total		21,240	223,341
GENERAL SERVICES ADMINISTRATION				
	Passed through state Office of Administration			
39.003	Donation of Federal Surplus Personal Property	N/A	11	16
FEDERAL EMERGENCY MANAGEMENT AGENCY				
	Passed through state Department of Public Safety			
83.544	Public Assistance Grants [‡]	FEMA-1412-DR-MO	7,537	28,363
		FEMA-1463-DR-MO	21,349	0
			28,886	28,363
83.552	Emergency Management Performance Grants*	EMK-GR-3003	10,412	0
		EMK-GR-2523	0	6,941
	Program Total		10,412	6,941
83.562	State and Local All Hazards Emergency Operation Planning	EMK-2003-GR-2540	6,000	0
83.564	Citizen Corps	EMK-2003-GR-2541	1,708	0
	Community Emergency Response Team	EMK-2003-GR-3040	1,585	0
	Program Total		3,293	0
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
	Passed through state			
	Department of Health and Senior Services -			
93.197	Childhood Lead Poisoning Prevention Projects	ERS146-3184T	4,850	0
	State and Local Childhood Lead Poisoning Prevention			
	and Surveillance of Blood Lead Levels in Children			
93.268	Immunization Grants	PGA064-4184A	800	0
		PGA064-3184A	2,200	1,525
		PGA064-2184A	0	4,625
		N/A	2,645	2,072
		N/A	24,783	27,900
	Program Total		30,428	36,122
	Department of Social Services -			
93.563	Child Support Enforcement	N/A	118,770	118,780

Schedule

POLK COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2003	2002
	Department of Health and Senior Services -			
93.575	Child Care and Development Block Grant	PGA067-4184S	1,095	0
		PGA067-3184S	1,485	0
		PGA067-3184C	1,185	365
		PGA067-2184C	0	2,573
	Program Total		<u>3,765</u>	<u>2,938</u>
93.667	Social Services Block Grant	AOC01380069	23,244	30,472
	Department of Health and Senior Services			
93.288	National Health Service Corps Scholarship Program	AOC04380090	35,325	0
		AOC03380039	42,500	30,357
	Program Total		<u>77,825</u>	<u>30,357</u>
93.887	Health Care and Other Facilities	C76HF00852-01-00	147,535	0
93.991	Preventive Health and Health Services Block Grant	AOC04380010	11,160	0
93.994	Maternal and Child Health Services Block Grant to the States	ERS146-4184M	6,103	0
		ERS146-3184M	15,566	5,189
		ERS146-2184M	0	16,859
		ERS175-3059F	33,150	16,050
		ERS175-2059F	0	51,000
		N/A	258	300
	Program Total		<u>55,077</u>	<u>89,398</u>
	Total Expenditures of Federal Award:		<u>\$ 694,922</u>	<u>914,746</u>

* The CFDA number for this program changed to 97.036 in October 2003

** The CFDA number for this program changed to 97.042 in October 2003

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedule

Notes to the Supplementary Schedule

POLK COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Polk County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals. . . .

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Personal Property (CFDA number 39.003) represent the estimated fair market value of property at the time of receipt. Amounts for Immunization Grants (CFDA number 93.268), the Preventive Health and Health Services Block Grant (CFDA number 93.991), and the Maternal and

Child Health Services Block Grant to the States (CFDA number 93.994) include both cash disbursements and the original acquisition cost of vaccines obtained by the Health Center through the state Department of Health and Senior Services.

2. Subrecipients

Of the federal expenditures presented in the schedule, the county provided federal awards to subrecipients as follows:

Federal CFDA Number	Program Title	Amount Provided	
		Year Ended December 31, 2003	2002
14.228	Community Development Block Grants/State's Program	\$0	\$202,500
16.710	Public Safety Partnership and Community Policing Grants	\$13,490	\$24,574

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the County Commission
and
Officeholders of Polk County, Missouri

Compliance

We have audited the compliance of Polk County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2003 and 2002. The county's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Polk County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2003 and 2002. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance

with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as finding number 03-01.

Internal Control Over Compliance

The management of Polk County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the county's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as finding number 03-01.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe that the reportable condition described above is a material weakness. This report is intended for the information and use of the management of Polk County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo 2000, this report is a matter of public record and its distribution is not limited.



Claire McCaskill
State Auditor

August 18, 2004 (fieldwork completion date)

Schedule

POLK COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2003 AND 2002

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? yes x no

Reportable conditions identified that are
not considered to be material weaknesses? yes x none reported

Noncompliance material to the financial statements
noted? yes x no

Federal Awards

Internal control over major programs:

Material weaknesses identified? yes x no

Reportable conditions identified that are
not considered to be material weaknesses? x yes none reported

Type of auditor's report issued on compliance for
major programs: Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Section .510(a) of OMB
Circular A-133? x yes no

Identification of major programs:

CFDA or
Other Identifying

<u>Number</u>	<u>Program Title</u>
14.228	Community Development Block Grants/State's Program
20.205	Highway Planning and Construction
93.563	Child Support Enforcement
93.887	Health Care and Other Facilities

Dollar threshold used to distinguish between Type A
and Type B programs:

\$300,000

Auditee qualified as a low-risk auditee?

_____ yes x no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes the audit finding that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

03-1.

Schedule of Expenditures of Federal Awards

Federal Grantor:	U.S. Department of Housing and Urban Development
Pass-Through Grantor:	Department of Economic Development
Federal CFDA Number:	14.228
Program Title:	Community Development Block Grants/State's Program
Pass-Through Entity	
Identifying Numbers:	2001-PF-01
Award Years:	2002
Questioned Costs:	Not applicable

Federal Grantor:	U.S. Department Transportation
Pass-Through Grantor:	Highway and Transportation Commission
Federal CFDA Number:	20.205
Program Title:	Highway Planning and Construction
Pass-Through Entity	
Identifying Numbers:	BRO-084(7), BRO-084(8)
Award Years:	2003 and 2002
Questioned Costs:	Not applicable

Federal Grantor: U.S. Department of Health and Human Services
Pass-Through Grantor: Department of Social Services
Federal CFDA Number: 93.563
Program Title: Child Support Enforcement
Pass-Through Entity
Identifying Numbers: Not applicable
Award Years: 2003 and 2002
Questioned Costs: Not applicable

Federal Grantor: U.S. Department of Health and Human Services
Pass-Through Grantor: Department of Health and Senior Services
Federal CFDA Number: 93.887
Program Title: Health Care and Other Facilities
Pass-Through Entity
Identifying Numbers: C76HF00852-01-00
Award Years: 2003
Questioned Costs: Not applicable

Section .310(b) of Circular A-133, Audits of State and Local Government, and Nonprofit Organizations, requires the auditee to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the auditee's financial statements. The county is required to submit the schedule of expenditures of federal awards to the State Auditor's Office as a part of the annual budget.

The county does not have adequate procedures in place to track federal awards for the preparation of the SEFA. For the SEFA to adequately reflect the county's federal expenditures, it is necessary that all federal expenditures be properly reported. For the years ended December 31, 2003 and 2002, the county's SEFA was not accurate; the SEFA understated expenditures in total by approximately \$239,788 and \$81,730, respectively. Compilation of the SEFA requires consulting county financial records and requesting information from other departments and officials.

Without an accurate SEFA, federal financial activity may not be audited and reported in accordance with federal audit requirements which could result in future reductions of federal funds.

WE RECOMMEND the County Clerk prepare a complete and accurate schedule of expenditures of federal awards.

AUDITEE'S RESPONSE AND PLAN FOR CORRECTIVE ACTION

The County Clerk provided the following response:

In this coming budget year we will check to see if federal grants were missed on the schedule and try to ensure all federal expenditures are reported correctly.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

POLK COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

The prior audit report issued for the two years ended December 31, 2001, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

POLK COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

The prior audit report issued for the two years ended December 31, 1999, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

POLK COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the financial statements of various funds of Polk County, Missouri, as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated August 18, 2004. We also have audited the compliance of Polk County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended December 31, 2003 and 2002, and have issued our report thereon dated August 18, 2004.

Because the Juvenile Detention Center of the Thirtieth Judicial Circuit is audited and separately reported on by other independent auditors, the related fund is not presented in the financial statements. However, we reviewed that audit report and other applicable information.

In addition, we have audited the operations of elected officials with funds other than those presented in the financial statements to comply with the State Auditor's responsibility under Section 29.230, RSMo 2000, to audit county officials at least once every 4 years. The objectives of this audit were to:

1. Review the internal controls over the transactions of the various county officials.
2. Review compliance with certain legal provisions.

Our methodology to accomplish these objectives included reviewing accounting and bank records and other pertinent documents; interviewing various personnel of the county officials, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

This Management Advisory Report (MAR) presents any findings arising from our audit of the elected county officials and the Juvenile Detention Center of the Thirtieth Judicial Circuit referred to above. In addition, this report includes any findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These MAR findings resulted from our audit of the financial statements of Polk County or of its compliance with the types of compliance requirements applicable to each of its major federal programs but do not meet the criteria for inclusion in the written reports on compliance and on internal control over financial reporting or compliance that are required for audits performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

1.	Expenditures
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Controls and procedures over county expenditures need improvement. Bids were not always solicited, Form 1099 Miscellaneous was not issued as required, and controls were not adequate resulting in some questionable expenditures. In addition, the county provided assistance to various organizations without a written agreement.

- A. Bids were not always solicited or advertised in accordance with statute nor was bid documentation always retained for various purchases made by the county during the audit period. Examples of items purchased for which no evidence of bidding could be located are as follows:

<u>Item or Service</u>	<u>Amount</u>
Annual property and vehicle insurance	\$66,728
Tractor	55,000
Truck	25,000
Sheriff vehicle equipment	5,820
Tires	5,622
Lumber and hardware (bridge repair)	4,883

Although some of these purchases represent one payment for the item, the county may spend more than these amounts for tires or lumber and hardware on an annual basis. Further, county officials indicated it had been several years since property insurance had been bid.

Section 50.660, RSMo 2000 requires the advertisement of bids for all purchases of \$4,500 or more, from any one person, firm, or corporation during any period of 90 days. Bidding procedures for major purchases provide a framework for economical management of county resources and help assure the county that it receives fair value by contracting with the lowest and best bidder. In addition, competitive bidding ensures all interested parties are given an equal opportunity to participate in county business.

Documentation of bids should always be retained as evidence of the county's established purchasing procedures as well as compliance with statutory requirements. Documentation of bids should include, at a minimum, a listing of vendors from whom bids were requested, a copy of the request for proposal, a newspaper publication notice, a copy of all bids received, a summary of the basis and justification for awarding the bid, and documentation of all discussions with vendors.

- B. In addition to the items discussed in Part A., the county contracted with a computer consulting company that is owned by an Associate County Commissioner's son-in-law, and paid the company \$21,701 in 2003. These services were not bid. The County Commission and County Clerk indicated the Associate County Commissioner abstained from voting on the contract; however, the vote was not indicated in the commission minutes.

Transactions between the county and parties related to county officials represent potential conflicts of interest. Therefore, the county should ensure any commissioner with a potential conflict of interest abstains from voting and such action is disclosed in the minutes.

- C. Form 1099 Miscellaneous are not always filed with the Internal Revenue Service (IRS). The county did not file all Forms 1099 in 2003. Examples include payments in 2003 totaling \$34,332 for the purchase and installation of windows in the courthouse, \$14,566 for plumbing and electrical repairs at the jail, and \$6,766 for rebinding of records in the Recorder's office which were not filed with the IRS.

Sections 6041 through 6051 of the Internal Revenue Code require payments of \$600 or more for professional services or for services performed as a trade or business by non employees (other than corporations) be reported to the federal government on Forms 1099.

- D. The county pays for twenty-one cellular phone plans for various elected officials and county employees. All cellular phones have separate usage packages and are serviced by one provider. Cellular phone expenditures totaled approximately \$13,073 and \$9,551 for 2003 and 2002, respectively. During our review of cellular phone usage, we noted the following concerns:

1. The County has not developed a written policy regarding cellular telephone usage or guidelines to determine whether the cellular phone is needed or of benefit to the county. We noted some cellular phones with little or no usage, and some phones with personal usage.
2. Cellular phone bills are not reviewed for personal use. Our review of the September 2003 cellular phone bills noted various calls which appeared to be personal in nature, such as calls made to employee's relatives out of state. These monthly bills were not reviewed for personal usage. While the charges

for additional usage may not be significant, county funds should not be used to pay for personal telephone usage.

While cellular phones can help increase employee productivity, they are also costly. A formal written policy should be developed regarding cellular phones. This policy should establish a monitoring system for the assignment and usage, and ensure the cellular phones are properly used for business purposes. In this policy, the county should consider prohibiting the personal use of the cellular phones, except in cases of emergency.

- E. The county receives commissions from vending machines located in the courthouse, jail, and at the road and bridge complex. The vending machines are operated by the county for the benefit of the county employees. These monies are not deposited in a bank account. Accounting records to account for receipts, disbursements and cash balances are not maintained for machines at the jail or road and bridge complex. In addition, no invoices or other supporting documentation for expenditures are maintained for the machines at these two locations. Vending commissions are used for purchases of flowers for funerals, employee Christmas parties, doughnuts, and stamps. During the two years ended December 31, 2003, approximately \$1,300 was received from the vending machines located in the courthouse. Due to the lack of records maintained for the machines at the jail and the road and bridge complex, amounts received and disbursed were not determined.

To ensure all receipts are appropriately handled and recorded, and disbursements are proper, the county should maintain a ledger documenting receipts, disbursements, and the balance of the commission funds and retain documentation to support disbursements of the funds.

- F. The county provided assistance to various organizations within Polk County; however, the specific services to be provided were generally not defined through a written agreement. In addition, it is unclear if some of the services represent a governmental purpose.
 - 1. The county distributed \$10,000 to the Polk County Library in 2002 for parking lot improvements. In 2003 the county provided fuel and labor for parking lot improvements; however, the county did not track the amount of fuel or labor provided. Additionally, the county did not have a written agreement with the Library.
 - 2. In April 2003, the county distributed \$10,000 to the City of Bolivar for Economic Development through the Rural Economic Assistance Program, and has agreed through a written public announcement to contribute an additional \$10,000 per year for up to three years. In addition, in 2002 the county distributed \$5,689 to the City of Bolivar for a traffic study. There are no written agreements with the City of Bolivar and the county does not have

any documentation to support how the Economic Development money was spent.

3. In March 2003, the county entered into a written agreement to distribute approximately \$32,000 to the Polk County Genealogical Society for renovation of the top floor of their building; however, the written agreement does not provide the county with any means of monitoring the use of this money. As a result, the county has no documentation to support how this money was actually used.
4. The county donated \$800 and \$1,000 during 2003 and 2002, respectively, to local fair boards of the county. Also, the county distributed \$1,800 in 2002 to the Polk County Humane Society. Again, the county does not have a written agreement and did not receive any documentation from these organizations detailing the use of the monies.

The Missouri Constitution prohibits the use of public money or property to benefit any private individual, associations, or corporations except as provided in the constitution. Without a written agreement that clearly indicates the governmental purpose being provided by these entities, these uses could be considered to be a violation of the constitution. Written agreements are necessary to quantify the services to be performed and the consideration to be paid for the services, provide a means for the county to monitor compliance with the contract terms, and protect the county in the event of a dispute over the terms of the agreement. In addition, Section 432.070, RSMo 2000, requires all contracts to be in writing.

- G. Payments were made to road districts without proper written contracts. During the two years ended December 31, 2003, the county distributed a portion of its County Aid Road Trust (CART) and Capital Improvement Sales Tax (CIST) revenues to the eight special road districts within the county. Payments totaling \$307,504 and \$301,571 were made from the Special Road and Bridge Fund to the special road districts during fiscal years 2003 and 2002, respectively. While periodic financial reports are received from the special road districts, written contracts were not on file for some special road districts regarding how these monies were to be used.

There appears to be no statutory authority for the County Commission to make these distributions to the special road districts without some type of contractual agreement.

Written agreements would help ensure that monies distributed to other entities are expended in compliance with constitutional and statutory provisions and as intended by the County Commission.

WE RECOMMEND the County Commission:

- A. Solicit bids for all purchases in accordance with state law and maintain documentation of bids. If bids cannot be obtained and sole source procurement is necessary, the official commission minutes should reflect the necessitating circumstances.
- B. Ensure any commissioner with a potential conflict of interest abstains from voting and that this action is disclosed in the board minutes.
- C. Issue IRS Form 1099 Miscellaneous as required by the Internal Revenue Code.
- D. Develop a formal written policy regarding the use of the cellular telephone, including a provision prohibiting its use for personal reasons. In addition, an independent and adequate review of the cellular phone bills should be performed.
- E. And Sheriff maintain a ledger to account for vending commission receipts, disbursements, and cash balances and retain adequate documentation for all cash disbursements.
- F. Ensure subsidies to other entities provide a governmental benefit to the county and do not violate state law or the state constitution. Written agreements should be prepared which specifically address the services to be provided and compensation to be paid. In addition, procedures should be developed to adequately monitor the terms of the agreement.
- G. Enter into proper written contracts with the special road districts, which specifically state what services are to be provided to the county.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *Phone bids were received for several of the things noted above. In the future we will do a better job of documenting any bids received.*
- B. *We will try to make sure there are no conflicts of interest and all matters are properly disclosed in the County Commission minutes.*
- C. *We regularly send 1099-MISC forms; however, we were not aware of the status of these contractors. We will follow up on future projects such as these.*
- D. *We agree a policy should be implemented, and will begin working on such a policy.*
- E. *We have already taken steps to implement this recommendation.*

- F. *We receive approximately \$35,000 - \$45,000 annually from the Delarue Trust and a portion of these funds are passed through to public entities. In the future, we will ensure written agreements are prepared and develop procedures to monitor the terms of the agreements.*
- G. *We will comply by requesting the special road districts sign the contracts already in place.*

The Sheriff provided the following response:

- E. *A new procedure will be implemented on January 1, 2005 concerning the vending commissions.*

2. Officials' Salaries

The county has not taken action on mid-term salary increases given to the Associate Commissioners in 1999. Section 50.333.13, RSMo, enacted in 1997, allowed salary commissions meeting in 1997 to provide mid-term salary increases for associate county commissioners elected in 1996. The motivation behind this amendment was the fact that associate county commissioners' terms had been increased from two years to four years. Based on this statute, in 1999 Polk County's Associate County Commissioner's salaries were each increased approximately \$7,400 yearly, according to information provided by the County Clerk.

On May 15, 2001, the Missouri Supreme Court handed down an opinion in a case that challenged the validity of that statute. The Supreme Court held that this section of statute violated Article VII, section 13 of the Missouri Constitution, which specifically prohibits an increase in compensation for state, county, and municipal officers during the term of office. This case, *Laclede County v. Douglass et al.*, holds that all raises given pursuant to this statute section are unconstitutional. On June 5, 2001, the State Auditor notified all third class counties of the Supreme Court decision and recommended that each county document its review of the impact of the opinion, as well as plans to seek repayment. The county did not document its review of the opinion or its plans to seek repayment.

Based upon the Supreme Court decision, the raises given to each of the Associate County Commissioners, totaling approximately \$14,800 for the two years ended December 31, 2000, should be repaid.

WE RECOMMEND the County Commission review the impact of this court decision and develop a plan for obtaining repayment of the salary overpayments.

AUDITEE'S RESPONSE

The County Commission provided the following response:

At the time these raises were approved we acted in good faith relying on the written legal opinion of our County Prosecuting Attorney. We will do our best to resolve this problem. The Salary Commission will meet in November 2005 and act on the State Auditor's letter dated June 2001.

3. Published Financial Statements
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The county's published financial statements are not complete. A review of the 2003 and 2002 annual financial statement published by the county noted the following concerns:

- A. Information contained in the published financial statement did not include the appropriate expenditure detail as required by Section 50.800, RSMo 2000. Expenditure detail was not shown for the Capital Improvement Sales Tax Fund as well as some of the smaller county funds. In addition, the county published financial information for the special road districts but did not request and publish the expenditure detail.
- B. The annual published financial statement did not include financial activity for six county funds in 2003 and seven in 2002. Most of these unreported funds were controlled by entities outside the control of the County Commission. The Juvenile Detention Center activity was not published in 2003 or 2002. The Emergency 911 Central Dispatch activity was not published for 2003 and Senate Bill 40 Board activity was not published for 2002. While the Health Center published their financial activity for 2003 and 2002, it was incomplete. Information contained in the Health Center's published financial statement did not include the appropriate expenditure detail as required by Section 50.800, RSMo 2000.

For the published financial statements to adequately inform the citizens of the county's financial activities, all monies received and disbursed by the county should be included. In addition, the publishing of complete and timely financial statements, besides meeting statutory requirements, provides information to citizens as to the operations of their county government and how tax dollars are spent.

Sections 50.800 and 50.810, RSMo 2000, require the county financial statements to be prepared and published in a local newspaper and show actual receipts or revenues, disbursements or expenditures, and beginning and ending balances for each county fund.

WE RECOMMEND the County Commission, Juvenile Detention Center, Emergency 911 Central Dispatch, Senate Bill 40 Board, and the Health Center publish financial statements in accordance with state law and ensure all required financial information for all county funds is properly reported in the annual financial statements.

AUDITEE'S RESPONSE

The County Commission provided the following response:

We will contact these other entities prior to publishing the financial statements and ensure the financial statements are complete in the future.

The Juvenile Detention Center provided the following response:

The facility will provide Polk County authorities financial information in a timely manner for inclusion in their annual financial reports.

The Emergency 911 Central Dispatch Board provided the following response:

We will publish our 2004 financial statements as per the recommendation and ensure that all required financial information for all county funds is properly reported in the annual financial statements.

The Senate Bill 40 Board provided the following response:

We have read the above recommendation and will do our best to comply with it effective at our next board meeting on October 21, 2004.

The Health Center Administrator provided the following response:

The Health Center will publish financial activity for each year to include the appropriate expenditure detail as required by Section 50.800, RSMo 2000.

4. General Fixed Assets

Records accounting for county property need improvement. The County Commission or its designee is responsible for maintaining a complete detailed record of county property. In addition, each county official or their designee is responsible for performing periodic inventories and inspections. Our review of the fixed asset records and procedures revealed the following concerns:

- The County Clerk does not periodically reconcile equipment purchases with additions to the fixed asset records. As a result, several fixed assets purchased during the years ended December 31, 2003 and 2002 were not added to the listing, including a 2003 Ford Explorer, a video monitoring system for the jail, and vehicle equipment for the Sheriff's office. Performing this reconciliation would help ensure all purchases have been added to fixed asset records.

- The county does not have formal procedures for disposing of county owned property. Written authorization is not obtained from the County Commission. Currently, when an item is no longer needed or useful, the officeholder or department head will dispose of the property or place an item in storage without getting written approval from the County Commission. As a result, the County Commission and the County Clerk are not always aware of the disposal and may not remove the item from the fixed asset records. Written authorization for the disposal of property is necessary to lessen the possibility of misuse and to provide adequate support for changes to the fixed asset records.

Adequate general fixed asset records are necessary to secure better internal control over county property, meet statutory requirements, and provide a basis for determining proper insurance coverage required on county property. Section 49.093, RSMo 2000, provides the county office of each county department shall annually inspect and inventory county property used by that department with an individual original value of \$250 or more and any property with an aggregate original value of \$1,000 or more. After the first inventory is taken, an explanation of material changes shall be attached to subsequent inventories. All remaining property not inventoried by a particular department shall be inventoried by the County Clerk. The reports required by this section shall be signed by the County Clerk.

WE RECOMMEND the County Commission ensure the general fixed asset records are complete by establishing a written policy related to the handling and accounting for general fixed assets. In addition to providing guidance on accounting and record keeping, the policy could include necessary definitions, address important dates, establish standardized forms and reports to be used, discuss procedures for the handling of asset disposition, and any other concerns associated with county property.

AUDITEE'S RESPONSE

The County Commission provided the following response:

We will look into developing a written policy for general fixed assets and encourage county offices to keep the asset records current.

5. Changes to the Tax Books

There is no independent and subsequent comparison of additions and abatements approved by the County Commission to actual changes to the property tax records or to amounts reflected on the County Collector's annual settlement. The County Clerk has established a procedure to record the amount of taxes the County Collector is charged with at the beginning of the year and adjust for the additions and abatements from the reports that are received from the County Assessor's office. However, the amounts for additions and abatements reported to the County Clerk by the County Assessor do not agree with the actual amounts reflected on the tax system. From these amounts, the County Clerk computed back taxes for 2003 as \$649,000 while the County Collector only reported \$546,000 on her annual

settlement. County officials indicate that the difference results from computer generated reports not properly reporting commercial property. The county has contacted their programmer regarding these differences.

To ensure additions and abatements reported on the County Collector's annual settlement are accurate, the County Assessor, County Collector, and County Clerk should take steps to resolve the software differences.

A similar condition was noted in the prior report.

WE RECOMMEND the County Assessor, County Collector, and County Clerk establish controls over the property tax addition and abatement process that would allow the County Clerk to periodically reconcile approved additions and abatements to changes made to the property tax records and amounts reflected on the County Collector's annual settlement.

AUDITEE'S RESPONSE

The Assessor provided the following response:

I have contacted the programmer and will follow up with the other officials to ensure the problem is corrected.

The Collector provided the following response:

Our computer software provider has recently written enhancements to the abatement programs for add-on taxes. This should allow tracking and provide reports to the County Clerk to balance these additions and abatements each month.

The County Clerk provided the following response:

The programmer has been contacted and the necessary changes have been made.

6. Circuit Clerk's Controls and Procedures

The Circuit Clerk does not always perform bank reconciliations in a timely manner, adequately segregate duties, and prepare budgets for funds she maintains.

- A. Bank reconciliations are not always performed and completed monthly. The bank reconciliations for January through April 2004 were not completed until June 2004 for the circuit fee account. The Circuit Clerk indicated bank reconciliations were attempted in a timely manner, but some unidentified differences and reconciling items were noted between the court's computer system balance and the reconciled bank balance for these accounts. Many of the differences involved numerous voided transactions. The Circuit Clerk indicated that reconciliations were delayed waiting

on assistance from the Office of the State Court Administrator (OSCA). In June 2004, the Circuit Clerk received documentation from OSCA that identified numerous adjustments that were made to correct the unidentified differences and reconciling items.

In addition, in January 2003 the bank accounts of the Associate and Probate Courts were placed under the control of the Circuit Clerk. At the time of this turnover, the associate/probate fee account had not been reconciled since March 2002.

The preparation of bank reconciliations is necessary to ensure accounting records agree with bank records and errors are discovered on a timely basis. In addition, although the OSCA provides support to Circuit Clerk offices across the state, it is ultimately the Circuit Clerk's responsibility to perform bank reconciliations timely and ensure bank reconciliations and open-items listings are generated and reviewed for accuracy. Failure to resolve errors and reconciling items timely increases the risk that other errors or misstatements will not be detected on a timely basis.

- B. The duties of receiving, recording, and disbursing monies are not adequately segregated. Currently, all employees receive, record, and disburse monies. The Circuit Clerk indicated she reviews the disbursements when the bank reconciliations are prepared; however, as noted above, reconciliations are not always performed timely.

Proper segregation of duties helps ensure all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating duties of receiving, recording, and disbursing of monies. If proper segregation of duties cannot be achieved, at a minimum, a periodic supervisory review of records should be performed and documented. There should be a documented independent comparison of recorded receipts and bank deposits.

- C. Formal budgets are not prepared for funds maintained by the Circuit Clerk. For the years ending December 31, 2003 and 2002, a budget was not prepared for the Law Library Fund, Circuit Clerk Interest Fund, or the Associate Circuit Division Interest Fund. Chapter 50, RSMo 2000, requires preparation of annual budgets for all county funds to present a complete financial plan for the ensuing year. By preparing or obtaining budgets for all funds, the Circuit Clerk would be more able to effectively evaluate all financial resources.

WE RECOMMEND the Circuit Clerk:

- A. Perform bank reconciliations monthly. In addition, ensure that differences in the bank reconciliations are resolved in a timely manner.

- B. Segregate accounting duties to the extent possible or ensure periodic supervisory reviews are performed and documented.
- C. Ensure budgets are prepared for all funds.

AUDITEE'S RESPONSE

The Circuit Clerk provided the following responses:

- A. *I reconcile the Circuit Clerk Account the month immediately following. My reports show the dates I reconciled as follows: Jan 2004 on February 5, 2004; February 2004 on March 4, 2004; March 2004 on April 7, 2004; April on May 24, 2004. The bank reconciliations were performed in a timely way; however, there were small discrepancies in which I needed assistance in finding. In the future I will contact State Courts immediately for assistance when needed.*

I had no access or control of the Associate Probate Accounts until January 2003 at which time we consolidated the courts. After January 2003 I reconciled each month of that account from March 2002 until present. I am now planning on closing that account by the end of this year and transferring the interest to the Circuit Clerk Interest Account.

- B. *Besides reviewing the checks on the bank reconciliation within a month's time, as of September 1, 2004, I have been running a "Circuit Court Disbursement Listing" which identifies Check No., Payee name/Party ID, Case ID, Issue Date, USER ID (person writing check) and Check Amount which I review daily. I also check the Custom Trial Balance Report each day which helps me quickly find any error that may have been made on that day for immediate correction. Giving check writing authority to all employees is very beneficial for workflow in the office however beginning January 1, 2005, I will reduce the number of employees that will be allowed to write checks.*
- C. *I will prepare a formal budget for the Law Library Fund and the Interest Funds beginning with the 2005 budget year.*

7. Prosecuting Attorney Accounting Procedures and Controls

The Prosecuting Attorney's office collects court ordered restitution, bad check restitution, and bad check collection fees. Our review of the controls and procedures of the Prosecuting Attorney noted incomplete bank reconciliations, old outstanding checks, and untimely processing of bad checks. Additionally, the Prosecuting Attorney overspent the amount budgeted for the Prosecuting Attorney Bad Check Fund in 2003.

- A. Monthly bank reconciliations prepared for August 2003 through December 2003 were not accurate or complete. An outstanding check list was not always documented and amounts listed as deposits in transit were not always accurate. In addition, since

bank reconciliations were not complete and accurate, the reconciled balance did not agree with the monthly listing of open items (liabilities) for this time period.

The preparation of monthly reconciliations is necessary to ensure the bank account is in agreement with the accounting records and to detect and correct errors on a timely basis. In addition, reconciling the book balance to the open items listing is necessary to ensure records are in balance and that sufficient cash is available to cover liabilities.

- B. At December 31, 2003, checks totaling \$140 were outstanding that were over a year old. These old outstanding checks create additional and unnecessary recordkeeping responsibilities. The Prosecuting Attorney should adopt procedures to routinely follow up on old outstanding checks and reissue them if the payees can be located. If the payees cannot be located, these monies should be disposed of in accordance with state law.

- C. Bad checks received from vendors for collection are not always processed timely. While checks were normally processed up to 20 times each month, we identified two months when checks were only processed two times during the month. Additionally, a report generated by the Prosecuting Attorney's office indicated checks were only entered into the bad check system one day in August. On August 21, 2003 the Prosecuting Attorney's office processed all 113 checks received during that month.

To ensure bad checks are properly handled and cases are filed timely, bad checks complaints should be processed in a timely manner.

- D. The Prosecuting Attorney overspent the amount budgeted for the Prosecuting Attorney Bad Check Fund in 2003 by \$3,618 due to transfers to the Law Enforcement Sales Tax Fund to supplement salaries for the Prosecuting Attorney's office.

It was ruled in *State ex. rel. Strong v. Cribb*, 364 Mo. 1122, 273 SW2d 246 (1954), that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess expenditures, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office. In addition, Section 50.622, RSMo 2000, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend the budget.

WE RECOMMEND the Prosecuting Attorney:

- A. Prepare and vouch monthly bank reconciliations and maintain documentation of outstanding checks. In addition, reconcile monthly listings of open items to the cash balance.
- B. Ensure procedures to routinely follow up and reissue old outstanding checks are adopted. If the payees cannot be located, these monies should be disposed of in accordance with state law.
- C. Ensure bad check complaints are processed in a timely manner.
- D. Keep expenditures within budgetary limits. Budgets should be properly amended if necessary.

AUDITEE'S RESPONSE

The Prosecuting Attorney provided the following responses:

- A. *We have been doing this for quite some time. The time period referenced in the audit report was during a time of employee turnover and the new check clerk was apparently unaware that the initial balancing of the bank statements was required. With regards to open items, we are presently reconciling in accordance with the suggestions in the audit report.*
- B. *We are following up with payees who have not negotiated their check within six months of the issuance of those checks. If we are unable to locate the payee, we will issue a stop payment order and transfer those funds to the Polk County Treasurer as abandoned/unclaimed property in accordance with Missouri law.*
- C. *All checks received for prosecution are now to be entered into our system not less than once per week. Ten day notice letters will be printed not less than once per week. Our system calendars and tracks checks that receive no response to the ten day notice letters and criminal proceedings are to be initiated immediately upon expiration of the notice period.*
- D. *We will do the best we can.*

8. Sheriff's Accounting Controls and Procedures
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Our review of the Sheriff's office indicated that accounting duties are not adequately segregated and controls over inmate monies need improvement.

- A. Accounting duties are not adequately segregated. Currently, the Sheriff's secretary is responsible for depositing and disbursing monies, preparing bank reconciliations, maintaining the accounting records, and preparing the monthly fee reports. There is

no documentation that an independent review of deposits and accounting records is performed.

Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating duties of depositing receipts from reconciling receipts. If proper segregation of duties cannot be achieved, at a minimum, a periodic supervisory review of the records should be performed and documented.

- B.1. The date and method of payment received (cash, check, or money order) is not indicated on receipt slips issued to inmates for commissary monies. As a result, the timeliness of deposits cannot be determined and the composition of monies received cannot be reconciled to amounts deposited. To ensure receipts are accounted for properly and deposited intact timely, the date of receipt and method of payment received should be indicated on all receipt slips, and the composition of receipt slips issued should be reconciled to the composition of bank deposits.
- 2. Checks and money orders received for inmates to be used in the commissary are not restrictively endorsed immediately upon receipt. Instead, the endorsement is applied at the end of the day when the deposit is prepared. To reduce the risk of loss or misuse of funds, checks and money orders should be restrictively endorsed immediately upon receipt.

WE RECOMMEND the Sheriff:

- A. Adequately segregate accounting duties or ensure periodic supervisory reviews are performed and documented.
- B.1. Indicate the date of receipt and method of payment on all receipt slips, and reconcile the composition of receipt slips to the composition of bank deposits.
- 2. Restrictively endorse checks and money orders immediately upon receipt.

AUDITEE'S RESPONSE

The Sheriff provided the following responses:

- A. *Effective immediately the Staff Supervisor will review all receipts and deposits on a daily basis. The Supervisor will also be required to review the bank statements on a monthly basis.*
- B.1. *Effective immediately the jail staff will indicate cash, check, or money order on all receipts issued to inmates for commissary monies. A supervisor will be required to review the commissary receipts to ensure it is performed correctly.*

2. *Effective immediately all employees have been instructed to endorse checks and/or money orders immediately upon receipt. A supervisor will be reviewing this procedure.*

9. Juvenile Division's Controls and Procedures

The home base of the Juvenile Division of the Thirtieth Judicial Circuit is located in Polk County. A review of the records and procedures noted questionable expenditures and no written policy regarding cellular telephone usage.

A. Our review of expenditures noted the following concerns:

1. The Juvenile Division paid \$5,846 in 2002 for three employees to attend training seminars at the Atlantis Casino Resort in Reno, Nevada, and the Trump Plaza in Atlantic City, New Jersey.

Cost totaling \$3,665 (air fare \$590, hotel \$977, registration \$1,140, and expenses \$958) was incurred for the seminar in Reno. This cost includes approximately \$456 in mileage and airport parking expenses for three different vehicles to be driven to the same airport for the same flight. It is questionable whether it was reasonable for the three employees to travel to the airport in separate vehicles. Additionally \$30 was reimbursed to each employee for separate transportation from the airport to the hotel in Reno.

The Division incurred cost totaling \$2,181 (air fare \$1,173, hotel \$339, registration \$395, and expenses \$274) for the seminar in Atlantic City. After making reservations, two employees were unable to attend the seminar in Atlantic City because their positions were eliminated when grant funding was lost. As a result, the Juvenile Division was not reimbursed for \$882 (air fare \$782 and registration \$100) of the total costs noted above.

In addition, adequate supporting documentation was not retained or available to support costs incurred for hotel accommodations during either training seminar (\$1,316). The only documentation maintained was a request for reservations typed on Juvenile Division office letterhead.

It is questionable whether these trips were adequately planned and all expenditures were a reasonable use of public funds. In addition, adequate supporting documentation will help the Juvenile Division evaluate the necessity and reasonableness of expenses incurred.

2. The Juvenile Division provides lunch for all employees at monthly staff meetings. The Juvenile Division should make an effort to reduce expenditures for food costs and redirect these resources to Division activities. According to the Juvenile Division's records, the Division paid approximately

\$650 in food costs during the two years ending December 31, 2003. These food purchases represent amounts billed to the department from various local restaurants.

It is questionable whether these expenditures are a prudent use of public funds. The Juvenile Division should ensure funds are spent only on items which are necessary and beneficial to county residents.

- B. The Juvenile Division has not developed a written policy regarding cellular telephone usage. Currently, all Juvenile Officers and the Secretary are provided cellular telephones that are paid for by the counties in the circuit. Approximately \$9,800 was paid for cellular phone service during the two years ending December 31, 2003.

Cellular phone bills are only reviewed for personal use if the usage exceeds the number of minutes allowed under the plan. Our review of the October through December 2003 cellular phone bills noted numerous calls which appeared to be personal in nature. While the additional charges noted were not significant, it does not appear county funds should be used to pay for personal telephone usage.

A formal written policy is necessary to address the usage, the need and benefit to the county, and the monitoring of the cellular phone to ensure it is properly used for business purposes. The Juvenile Division should consider prohibiting the personal use of the cellular phone, except in cases of emergency, and review the calls made to determine if the amount of usage is necessary and proper.

WE RECOMMEND the Juvenile Division:

- A. Ensure all expenditures of the Juvenile Division are a reasonable and prudent use of public funds and are necessary to the mission of the division. In addition, ensure that all expenditures are appropriately supported by adequate documentation.
- B. Develop a formal written policy regarding the use of the cellular telephone, including a provision prohibiting its use for personal reasons. In addition, an independent and adequate review of the cellular phone bills should be performed.

AUDITEE'S RESPONSE

The Juvenile Division provided the following responses:

- A. *Any training opportunities and Juvenile Division staff meeting meal expenditures other than those conducted by OSCA will be reviewed and only approved by the Circuit Judge to ensure prudent use of public funds. If approved, staff meeting meal expenditures will be according to OSCA limits for 3rd Class Counties as follows: breakfast = \$6.00, lunch = \$8.00 and dinner = \$12.00. Any and all receipts for expenditures will be maintained.*

- B. *A written policy regarding the use of the Juvenile Division cell phones will be implemented to reflect guidelines and expenditures charged to the employee for personal use. Each month the Juvenile Division cell phone bill will be reviewed by the Chief Juvenile Officer to ensure employee compliance to the implemented policy. An agreement to the policy will be signed by each employee and placed in their personnel office file. The policy will be effective October 1, 2004.*

10. Thirtieth Judicial Circuit Juvenile Detention Center

The Thirtieth Circuit consists of Benton, Dallas, Hickory, Polk, and Webster counties. In December 1995, these counties entered into an agreement with the Thirtieth Circuit Youth Services, Inc. (a Missouri not-for-profit corporation) to construct and operate a Juvenile Detention Center (JDC). In accordance with the agreement, the five counties would finance the operation and maintenance costs on or near a break-even basis. The Board of Directors of the JDC are appointed by the Circuit Judge of the Thirtieth Judicial Circuit.

Our review of the JDC identified a substantial cash balance with no documented plans for its use, no written agreement for banking services and inadequate collateral securities pledged to cover JDC deposits. Additionally, the JDC does not solicit bids for food purchases, does not have a written policy addressing meals provided to employees, and does not adequately segregate accounting duties.

- A. The JDC has accumulated a substantial balance with no formal documented plans for its use. The JDC unrestricted cash balance at December 31, 2003 and 2002 totaled \$1,022,945 and \$857,405, respectively, while expenditures for the center totaled \$231,331 and \$245,083 for each year end. (The majority of all personnel costs are paid by the state.) According to the JDC's 2004 budget, they expect to accumulate more than \$1.2 million by December 31, 2004.

The Circuit Judge indicated some of these monies will be utilized for substantial capital improvements and maintenance to the facility; however, according to JDC records, the center's occupation rate of juveniles has decreased from 53% in 2002 to 49% in 2003. According to the Circuit Judge, expansion is being anticipated because of population growth and increasing case load, but there are no documented plans to support how much expansion is planned, or the amount of funds needed. Additionally, the Circuit Judge indicated funds were needed to repair the roof and make the basement secure during storms; however, there is no formal documentation of these plans or cost estimates, and the center's budget for 2004 did not show an increase in the amount needed for building repairs.

The agreement between the JDC and the counties of the Thirtieth Judicial Circuit specifies the JDC will operate on as near of a break-even basis as possible. The JDC's records indicate revenues from other sources (federal and state funding as well as board bills) are sufficient to cover the operating and maintenance costs of the

center; however, the JDC continues to bill the five counties in the circuit each month for maintenance costs. Since 2000 the JDC has billed the counties approximately \$207,000. The Circuit Judge indicated that a member of the County Commission from each county sits on the JDC board and is aware of the JDC's accumulated balance. However, there is no documentation in the JDC's board minutes to indicate that the board has made a formal decision to continue to bill the counties and accumulate a large cash balance. In addition, two of the five counties in the circuit still owe approximately \$250,000 as of December 31, 2003 in bonded indebtedness from the initial construction cost of the facility. Extra monies would be available to the two counties to pay toward the bond principal if the JDC did not bill the counties for operating costs already funded by other revenue sources.

While Section 488.2205 allows counties in the Thirtieth Judicial Circuit to charge up to \$10 on all criminal cases for the purpose of, "construction, maintenance and operation of the county judicial facility and the circuit juvenile detention center", it further indicates that moneys not needed for the operating costs shall be transmitted quarterly to the general revenue fund of the county.

The JDC should review the cash balance and prepare a formal documented plan as to how such a balance is going to be utilized. The JDC should also review the various sources of revenue received in addition to the contracts maintained with each county to determine if the contract terms are still applicable.

- B. While board meeting minutes indicate interest rate information was obtained before investing in certificates of deposits, no documentation of bids for banking services were provided. Additionally, the JDC has not entered into a written agreement with its depository bank. Collateral securities were not pledged by one of the JDC's depository banks for deposits in excess of the Federal Depository Insurance Corporation (FDIC) coverage leaving the JDC unsecured by \$6,850 at December 31, 2003. Further, the JDC has not adopted a written policy to document its procedures for investing excess funds. During 2004 JDC funds totaling \$800,000 were invested in certificates of deposits with four local banks at interest rates varying from 3% to 3.5%.

To ensure the quality of banking services and ensure interest earnings received are maximized, the JDC should procure its banking services through a competitive bid process. In addition, the JDC should enter into a written agreement with its depository bank.

Section 110.020, RSMo 2000, requires the value of securities pledged to be at all times not less than 100 percent of the actual amount on deposit less the amount insured by the FDIC. Inadequate collateral securities leave funds unsecured and subject to loss in the event of bank failure. Also, written agreements should require that deposits in excess of FDIC limits be secured by bank assets pledged to the JDC. In addition, the bank service agreement provisions should include, but not be limited

to, any bank fees for check printing, checking account services, and interest rate for invested funds. A written depository agreement helps the JDC and bank understand and comply with the requirements of any banking arrangement.

- C. The JDC did not solicit bids for food purchases. The JDC prepares meals for the juveniles that are being held at the detention center. During the years ending December 31, 2003 and 2002, the JDC expended approximately \$20,460 and \$21,875, respectively on food from various vendors. While the JDC personnel indicated that prices are compared among various vendors before food is purchased, no documentation was maintained.

Section 50.660, RSMo 2000, requires the advertisement for bids for any purchases of \$4,500 or more, from any one person, firm, or corporation during any period of ninety days. Bidding procedures for major purchases provide a framework for the economical management of county resources and helps assure the county that it receives fair value by contracting with the lowest and best bidder. Competitive bidding ensures all interested parties are given an equal opportunity to participate in county business.

Various approaches for soliciting bids for food purchases are appropriate. Whichever approach is used, complete documentation of bids should always be retained as evidence of the JDC's established purchasing procedures, as well as compliance with statutory requirements.

- D. JDC employees are provided meals at no cost by the JDC. The number of meals provided to employees are tracked; however, the JDC does not have a policy to address whether employees are to be provided meals. While some employees are provided meals because they cannot leave the building during working hours, a written personnel policy addressing this issue is needed to control and reduce unnecessary expenditures in this area.
- E. Accounting duties are not adequately segregated. One individual has duties that include receiving, depositing, and disbursing monies, preparing bank reconciliations and maintaining the accounting records. While an independent review of disbursements is performed, there is no documentation of this review.

Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating duties of receiving and depositing monies from recording and reconciling receipts. If proper segregation of duties cannot be performed, a periodic independent review of the records should be performed and documented.

- F. The JDC provided a membership to a local rotary club for the Administrator during 2003 and 2002. The JDC pays the yearly membership of \$360. It is unclear if the membership to the rotary club represents a governmental purpose.

WE RECOMMEND the Juvenile Detention Center:

- A. Review the cash balance and prepare a formal documented plan as to how such a balance is going to be utilized. Evaluate the various sources of revenue in addition to the contract to determine if contract terms are still applicable.
- B. Seek competitive bids for its banking services on a periodic basis, ensure all deposits are adequately secured, and enter into a written agreement with the depository bank. In addition, a written investment policy for excess funds should be adopted.
- C. Solicit bids for food purchases in accordance with state law and maintain documentation of bids.
- D. Review whether JDC employees should be provided meals at the detention center's expense and if necessary develop a personnel policy to address this issue.
- E. Adequately segregate accounting duties or ensure periodic independent reviews are performed and documented.
- F. Ensure all expenditures are a necessary and prudent use of governmental funds.

AUDITEE'S RESPONSE

The Juvenile Detention Center provided the following responses:

- A. *Accumulated fund balances are to be used for major repair and expansion purposes. The plan for such use is documented in the Cooperative Agreement between the counties and the Corporate Bylaws. In addition, the architectural drawings used to direct construction of the facility reveal the intent of the counties to provide for expansion capability. Further, a review of the Board Minutes will indicate that construction decisions and the creation of the replacement and extension fund were made with expansion in mind. The Board Minutes also reveal discussion about resident populations and building expansion as well as the plan to repair the roof and basement. Finally, the County Commissioners have been presented annually a proposed budget at which time the anticipation of expansion has been discussed.*

As it can be inferred from the documents mentioned above, the counties planned at inception for increasing capability of the facility. The population of the Circuit is increasing, therefore, it is reasonable to expect that juvenile referrals will increase. It is short sighted to base future capacity needs on population averages from years 2002 and 2003. During this period and even into early 2004, the population averages declined because of the short term financial crisis suffered at the state level. Expenditures for children's services have rebounded as have population averages.

Several estimates have been received for the roof and basement projects which indicate the amount of funds needed. These expenditures were not budgeted in 2004 because it was the

intent of the Board, Judge, and Commissioners to fund the expenditures using excess revenues.

Beginning in April 2002 the counties have not been billed for costs associated with the operational budget. The only funds requested from the counties were costs associated with the cooperative budget (i.e. building maintenance). The revenue from the Section 488.2205, RSMo \$10.00 surcharge on criminal cases which is deposited directly to the county treasury has nearly been sufficient to cover the requisitions in question, therefore, the facility does in fact operate on or at near a break-even basis as requested by the Bylaws. Finally, Hickory County has paid its indebtedness in full leaving only one county (Benton) in debt on original construction costs.

- B. The seeking of competitive bids for banking services is evident in board minutes. In addition, a written agreement was executed by members of the Board upon creation of the depository account. All subsequent deposits with other banks are evidenced by Certificate of Deposits. Finally, a Federal Reserve Pledge Authorization Form was executed by the Board of Directors in January 2002 covering the period in question. The facility will in the future present its own written agreement to the depository bank.*

The written investment policy of the facility is found in Article VI of the Bylaws giving the board the authority to invest excess funds: "The moneys of the corporation shall be deposited in such manner as the Board of Directors shall direct in banks or trust companies as the Board may designate...".

The \$6,850.00 unsecured by collateral securities on December 31, 2003 have been secured by pledged assets.

- C. The facility did not exceed the purchase ceiling of \$4,500 from any one firm during a 90-day period for food purchases. The facility uses several vendors in order to promote and foster competitive pricing and opportunity to participate in county business. It is evident from that fact that great effort is expended to make the most frugal use of public funds by purchasing food "on sale" and to purchase items from the vendor offering them at the best prices at any given ordering cycle. There is only one incident during the period reviewed in which the facility purchased non-food items along with certain food items from a food vendor during the 90-day period from October 2003 to December 2003, the total purchase of which was \$4,628.94, causing the purchase to exceed the \$4,500 ceiling. The facility will no longer purchase non-food items from food vendors and will not exceed the \$4,500 ceiling with any vendor.*
- D. The facility has a policy addressing the provision of meals to employees. Rules for Licensing Residential Child Care Agencies as incorporated in the facility policy and procedure guidelines state the following:*

1. *Staff must eat what children eat. 13 CSR 40-71.070.*
2. *Administrative and education staff must monitor children for the purpose of recognizing changes in the child's appearance or behavior that may be related to the use of medications, need for mental health services or medical services. 13 CSR 40-71.075. Sharing meals with the children promotes relationship building that leads to increased incite into the child's behavior patterns.*
3. *Social service staff must evaluate the child for service plan review. 13 CSR 4-71.060. Often meal time is used to study social behavior at which time the social service staff shares a meal with the children being studied.*

Staff members who have no contact with children will have to pay for meals consumed.

- E. *Periodic independent reviews are performed and documented. The Board employs a certified public accounting and professional auditing firm to perform an independent annual audit. The results are distributed to the Board Members and County Commissioners. In addition, financial statements are distributed to the counties monthly.*

The secretary receives and deposits all monies, prepares bank reconciliations, and maintains accounting records. She can not sign checks to disburse funds. According to Article V of the Bylaws, the Treasurer shall disburse or supervise the disbursement of funds of the corporation. All disbursements require the signature of the Treasurer and one other Board member. Neither the administrative staff nor the secretary are signatories on any bank accounts. The annual audit gives special attention and scrutiny to the segregation issue and has found no abnormalities during the periods in question. In addition, the reconciliation is reviewed by the Administrator every month as is all expenditures, time sheets, trust accounting, etc.... In the future such review will be noted thereon.

- F. *According to Missouri Circuit Court Personnel System Administrative Rule 7 the job description of the Administrator requires that he represent the juvenile court system at schools and community meetings and make presentations as required. The Rotary Club is a community service organization with no religious or political affiliation. It is one of the largest organizations of its type in the community. The club permits numerous opportunities to educate the public. As good community relations is necessary for the development of community resources and due to the overwhelming community concern over the placement of a detention facility near a residential area, it has been important for the Juvenile Court to have representatives amongst the community to spread good-will and educate. In this situation, the expenditures serve a necessary, important, and prudent purpose.*

11. Health Center's Controls and Procedures
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The Health Center Board does not have a depository agreement for banking services, and does not properly sign or include documentation of approved expenditures in the board minutes. Additionally, some questionable expenditures were identified.

- A. The Health Center Board does not have a formal depository agreement with its depository bank. A depository agreement is necessary to ensure both the bank and the board understand and comply with the agreement. Such an agreement may cover issues such as costs of checking accounts and safe deposit boxes, interest charges for borrowed funds, interest to be paid on certificates of deposit, savings accounts, and interest bearing checking accounts, and should include collateral securities required to be pledged.
- B.1. Regular board meeting minutes are prepared by the Health Center Administrator; however, the minutes are not signed by the Board President. The minutes should be signed by the President immediately upon approval by the Board to provide an attestation that the minutes are a correct record of the matters discussed and actions taken during the board meeting.
- 2. The board minutes do not identify the disbursements approved by the board at its monthly meetings. The only reference in the minutes is a notation that a motion was made and approved to pay bills. To adequately document the board's review and approval of all disbursements, a complete and detailed listing of bills should be prepared, signed or initialed by the board to denote their approval, and retained in the official minutes.
- C. The Health Center expended monies totaling approximately \$1,450 during the two years ending December 31, 2003, for items that do not appear to be a prudent use of public funds. Approximately \$460 was spent on t-shirts for employees, volunteers, and clients and the balance was spent on providing meals and snacks to employees and guests at various meetings.

It is questionable whether these expenditures are a prudent use of public funds. The Health Center should ensure funds are spent only on items which are necessary and beneficial to county residents.

WE RECOMMEND the Health Center Board:

- A. Enter into a written depository agreement.
- B.1. Ensure board minutes are properly signed to attest to their accuracy.
- 2. Ensure the approval of all disbursements is adequately documented by including a listing of all approved disbursements in the board minutes.
- C. Ensure all expenditures of Health Center monies are a necessary and prudent use of public funds.

AUDITEE'S RESPONSE

The Health Center Administrator provided the following responses:

- A. The Health Center will obtain a formal depository agreement with its depository bank to ensure that the bank and the board understand and comply with the agreement. This agreement will be obtained by January 31, 2005.*
- B.1. The Board President will sign the board meeting minutes upon approval to provide an attestation that the minutes are a correct record of the matters discussed and actions taken during the board meeting. This procedure will be implemented at the October 2004 meeting.*
- 2. A detailed listing of all disbursements will be signed by the board and retained in the official minutes of the board meeting to adequately document the board's review and approval. This procedure will be implemented at the October 2004 meeting.*
- C. The monies expended for incentive items and meeting expenditures were directly related to specific contracts that required participation from community volunteers. The volunteers were given t-shirts or a meal for helping the Health Center to create a local system to address the issues such as bioterrorism, smoking in pregnant women and child deaths related to motor vehicle crashes and unintentional injury. The Polk County Health Center is not able to address these issues as an individual agency and often requests the assistance of community partners to develop a plan, so that as a community we can be more effective. It is not the intent of the Health Center to use money in a way that is not a prudent use of public funds. As in the past the Health Center will assure that all funds received will be used in a way to benefit county residents.*

12. Senate Bill 40 Board

In accordance with Section 205.971, RSMo 2000, the board provides funding from the proceeds of a property tax levy for goods and services to individuals whom are developmentally disabled. Our review noted the following concerns:

- A. The board has not entered into written contracts with the entities that provide services to the board, and does not ensure monies distributed to the organizations are being expended on the item or services requested. The board provided funds approximating \$57,635 and \$38,429 in 2003 and 2002, respectively to various organizations.*

Written contracts are necessary to specify the services to be performed and the compensation to be paid for the services, provide a means for the board to monitor compliance with the contract terms, and protect the board in the event of a dispute over the terms of the agreement. In addition, Section 432.070, RSMo 2000, requires all contracts to be in writing.

- B. The board does not have up to date written procedures for approving funding requests. The board established written procedures for the approval of requests for funds by citizens in October 1991. However, these procedures outlined required documentation for three specific organizations. One of these organizations is no longer being funded by the board and two organizations that received funding during 2002 and 2003 are not addressed in the written procedures. The board should consider updating their current policy to address general funding requirements for all organizations to follow. Additionally, while the approval or denial of a request is typically documented in the minutes, there is little detail provided in situations where a request is denied.

The board should establish current written policy, which defines the requirements for approving requests for funds to ensure fair and equitable treatment is extended to all citizens. Also, board minutes should provide adequate detail when a request is denied.

- C. The Senate Bill 40 Board did not prepare a complete and accurate budget for 2003 and 2002. While a budget was prepared for each year, actual property tax revenues for both years were reported as \$0 when approximately \$39,000 was received annually. In addition, the amount of actual expenditures reported on the budgets did not agree with the check register. Amounts shown in Exhibit B of this report were adjusted for these inaccuracies. Further, actual expenditures exceeded budgeted amounts by \$10,015 for 2003.

Chapter 50, RSMo 2000, requires preparation of an annual budget for all funds to present a complete financial plan for the ensuing year. A complete and well-planned budget, in addition to meeting statutory requirements, can serve as a useful management tool by establishing specific cost expectations for each area. A complete budget should include appropriate revenue and expenditure estimates and actuals by classification, and include the beginning available resources and reasonable estimates of the ending available resources for all funds. The budget should also include a budget message.

Further, it was ruled in *State ex rel. Strong v. Cribb* 364 Mo. 1122, 273 SW2d 246 (1954), that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess expenditures, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office. In addition, Section 50.662, RSMo 2000, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend its budget.

- D. There is no documentation to indicate that monthly bank reconciliations were prepared during the audit period. The interest earned on the Board's checking account for March 2003 was not recorded in the check register. Monthly bank reconciliations are necessary to ensure accounting records balance with the bank and to detect errors timely.
- E.1. The regular board meeting minutes did not always document the specific reasons for closing the meeting and actions taken by the Board in closed meetings. In addition, it is unclear how some items discussed by the Board during closed meetings are allowed under the provisions of the Sunshine law. Minutes for January 23, 2003 indicate the board closed the meeting on two different occasions to reorganize the board and to discuss and prepare the budget.

Section 610.021, RSMo 2000, allows the Board to discuss certain subjects in closed meetings including litigation, real estate transactions, personnel issues, some competitive bidding issues, and confidential or privileged communications with auditors. Section 610.022, RSMo 2000, requires that before any meeting may be closed, the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open session. In addition, this law provides that public governmental bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such a meeting, record, or vote.

- 2. Regular board meeting minutes are prepared and signed by the Board Secretary; however, the minutes are not signed by the Board President. The minutes should be signed by the President immediately upon approval by the Board to provide an attestation that the minutes are a correct record of the matters discussed and actions taken during the board meeting.

WE RECOMMEND the Senate Bill 40 Board:

- A. Enter into written contracts with organizations that receive funding for both goods and services. Contracts should specifically address the goods and services to be provided and compensation to be paid, and allow the board a means to monitor compliance with the contract terms.
- B. Establish a current written policy detailing the requirements for requesting funds and ensure board minutes contain adequate detail when requests are denied.
- C. Prepare budgets as required by state law and ensure expenditures do not exceed budgeted amounts. If additional expenditures are necessary, the budget should be amended and the circumstances adequately documented.
- D. Prepare monthly bank reconciliations and ensure the accounting records accurately reflect the balance of the Senate Bill 40 Board Fund.

E.1. Ensure closed meetings are conducted according to state law. In addition, the Board should ensure the final disposition of applicable matters discussed in closed session are recorded in the regular public meeting minutes.

2. Ensure board minutes are properly signed to attest to their accuracy.

AUDITEE'S RESPONSE

The Senate Bill 40 Board provided the following response:

We have read the above recommendations and will do our best to comply with them effective at our next board meeting on October 21, 2004.

13. Emergency 911 Central Dispatch

In June 2002 an agreement was entered into between Polk County, the City of Bolivar, and Citizens Memorial Hospital to form an Emergency 911 Central Dispatch Center. In accordance with the agreement, Polk County remits annual phone franchise fees totaling approximately \$235,000 to the Center, and each of the three entities provides an additional \$5,000 monthly to fund the Center. During our review of the accounting controls and procedures we noted numerous weaknesses.

A. The financial condition of the Center needs to be reviewed by the board. On December 23, 2003 accounting records showed a negative \$732 cash balance. Minutes of the December 2003 board meeting indicate that cash would be tight and federal grant funds would be necessary to help with cash flow.

During 2003 the Center entered into promissory notes totaling \$350,000 with a local bank to finance the purchase of equipment. A federal grant totaling \$147,535 was received to reimburse the Center for a portion of the equipment costs. These grant funds were deposited into the Center's bank account on December 24, 2003 and subsequently used to cover operating expenses of the Center rather than reducing the principal amount of the notes.

The City of Bolivar subsequently took over the promissory notes and entered into a lease agreement with the local bank to finance the equipment purchase. The Center then entered into an agreement with the city indicating the Center would reimburse the city for the monthly lease payment totaling approximately \$6,500.

While the Center's 2004 budget did not project an ending cash balance, anticipated revenues approximated anticipated expenditures indicating that an ending cash balance is not expected. In addition, the budget did not appear to include any appropriations for unexpected expenditures that might occur during the budget year. Considering these factors, the Board should review disbursements and reduce

discretionary spending as much as possible, evaluate controls and management practices to ensure efficient use of resources available to the Center.

In addition, the Center did not maintain adequate documentation of the promissory notes referred to above, and copies of this information had to be obtained from the local bank. Further, the Center does not receive any information from the City or the bank to ensure the debt payment is being paid to the bank on a monthly basis. The Center should maintain adequate documentation to support all transactions.

B. Our review of budgets noted the following concerns:

1. The Center's approved budget did not adequately project the anticipated financial condition for years ended December 31, 2004 and 2003. The beginning cash balance was incorrectly recorded, and addition errors were made on the 2003 budget. The 2004 budget did not include a cash reconciliation. In addition, formal budgets were not filed with the State Auditor's Office as required by state law.

Chapter 50, RSMo 1994, requires the preparation of annual budgets for all funds to present a complete financial plan for the ensuing year. To be of maximum assistance to the board and to adequately inform the public, the budgets should accurately reflect the anticipated beginning cash balance, receipts, expenditures, and ending cash balance. In addition, amounts reported on the Center's budgets should be checked for accuracy.

2. The Board overspent the amount budgeted for the Emergency 911 Central Dispatch Fund in 2003 by \$144,926. Expenditures exceeded amounts budgeted because of equipment purchases made from loan proceeds that were not included in the budget.

It was ruled in State ex. rel. Strong v. Cribb, 364 Mo. 1122, 273 SW2d 246 (1954), that strict compliance with the county budget law is required by county officials.

If there are valid reasons which necessitate excess expenditures, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's Office. In addition, Section 50.622, RSMo 2000, provides that counties may amend the annual budget during any year in which the county receives additional funds which could not be estimated when the budget was adopted and that the county shall follow the same procedures required for adoption of the annual budget to amend the budget.

- C. The Board has not solicited bids for its banking services nor entered into a written agreement with its depository bank. Additionally, collateral securities were not

pledged by the Board's depository bank for deposits in excess of the Federal Depository Insurance Corporation (FDIC) coverage leaving the board unsecured and subject to loss in the event of bank failure. During December 2003, the Board's bank balance exceeded FDIC coverage by approximately \$46,803. Further, the Board maintains all funds in a non-interest bearing checking account.

A depository agreement is necessary to ensure both the bank and the board understand and comply with the agreement. Such an agreement may cover issues such as costs of checking accounts and safe deposit boxes, interest charges for borrowed funds, interest to be paid on certificates of deposit, savings accounts, and interest bearing checking accounts, and should include collateral securities required to be pledged. Section 110.020, RSMo 2000, requires the value of securities pledged to be at all times not less than 100 percent of the actual amount on deposit less the amount insured by the FDIC. Inadequate collateral securities leave board funds unsecured and subject to loss in the event of bank failure. The failure to have funds in interest-bearing accounts results in the loss of revenues. To maximize interest earnings, all funds should be placed in interest-bearing accounts.

- D. There is no documentation to indicate that monthly bank reconciliations were prepared during the audit period. While personnel indicated that bank reconciliations are performed on the computerized accounting software program, these reconciliations were not printed and could not be retrieved from the accounting system. Monthly bank reconciliations are necessary to ensure accounting records balance with the bank and to detect errors timely.
- E. Currently the Administrator and three board members are authorized to sign checks; however, bond coverage is only maintained for one of the board members. The failure to bond all persons with access to assets exposes the center to the risk of loss.
- F.1. The regular board meeting minutes did not always document the specific reasons for closing the meeting and actions taken by the Board in closed meetings. The board closed the board meeting on November 14, 2003; however, the reason for closing the meeting was not documented and no minutes were taken to document the closed meeting.

Section 610.021, RSMo 2000, allows the Board to discuss certain subjects in closed meetings including litigation, real estate transactions, personnel issues, some competitive bidding issues, and confidential or privileged communications with auditors. Section 610.022, RSMo 2000, requires that before any meeting may be closed, the question of holding the closed meeting and the reason for the closed meeting shall be voted on at an open session. In addition, this law provides that public governmental bodies shall not discuss any other business during the closed meeting that differs from the specific reasons used to justify such a meeting, record, or vote.

2. Regular board meeting minutes are prepared and signed by the Board Secretary; however, the minutes are not signed by the Board President. The minutes should be signed by the President immediately upon approval by the Board to provide an attestation that the minutes are a correct record of the matters discussed and actions taken during the board meeting.
 3. The board minutes do not identify the disbursements approved by the board at its monthly meetings. The only reference in the minutes is a notation that a motion was made and approved to pay bills. To adequately document the board's review and approval of all disbursements, a complete and detailed listing of bills should be prepared, signed or initialed by the board to denote their approval, and retained in the official minutes.
- G. Current general fixed asset records are not maintained and property tags are not affixed to all assets. The Center has not compiled an inventory listing since September 2002. Adequate general fixed asset records are necessary to secure better internal control over property and meet statutory requirements. In addition, property control tags should be affixed to all fixed asset items to help improve accountability over these items and help ensure that assets are not lost or stolen.
- H. The Center provides food for board members during the monthly meeting. An effort should be made to reduce expenditures for food costs and redirect these resources to Center activities. According to the Center's records, approximately \$400 in food costs was incurred from June 2003 through December 2003.

It is questionable whether these expenditures are a prudent use of public funds. The Board should ensure funds are spent only on items which are necessary and beneficial to county residents.

WE RECOMMEND the Emergency 911 Central Dispatch Board:

- A. Closely monitor the financial condition of the Center by taking the necessary steps to improve the financial condition, such as reviewing disbursements and reducing discretionary amounts as much as possible. In addition, records should be maintained documenting all transactions.
- B.1. Ensure complete and accurate budgets are prepared and filed with the State Auditor's Office.
2. Keep expenditures within budgetary limits. Budgets should be properly amended if necessary.
- C. Enter into a written agreement with the depository bank, and ensure collateral securities are pledged for all deposits in excess of FDIC coverage. In addition, maintain all funds in interest-bearing accounts to the extent possible.

- D. Prepare monthly bank reconciliations and ensure the accounting records accurately reflect the balance of the Emergency 911 Central Dispatch Fund.
- E. Obtain adequate bond coverage for all persons with access to negotiable assets.
- F.1. Ensure closed meetings are conducted according to state law. In addition, the Board should ensure the final disposition of applicable matters discussed in closed session are recorded in the regular public meeting minutes.
 - 2. Ensure board minutes are properly signed to attest to their accuracy.
 - 3. Ensure the approval of all disbursements is adequately documented by including a listing of all approved disbursements in the board minutes.
- G. Establish records to account for general fixed assets, and identify all fixed assets with a number, tag, or similar identifying device.
- H. Ensure all expenditures are a necessary and prudent use of public funds and are necessary to the mission of the Center.

AUDITEE'S RESPONSE

The Emergency 911 Central Dispatch Board provided the following responses:

- A. *We have been and will continue to closely monitor the financial condition of the Center.*
- B.1. *We will continue to ensure our budgets are complete and accurate. We will also ensure our 2005 budget is filed with the State Auditor's Office by January 31, 2005.*
 - 2. *We will properly amend the budget, if necessary, at the December 2004 meeting of the Board of Polk County 911 Central Dispatch Center.*
- C. *As of September 17, 2004, we have entered into a written agreement with the depository bank, and ensured collateral securities are pledged for all deposits in excess of FDIC coverage.*
- D. *Since the opening of the Center, we have reconciled our statements on line. As of June 7, 2004, we have printed and filed those reconciliation reports. The printed reconciliation reports are maintained at the office of the Polk County 911 Central Dispatch Center.*
- E. *One board member with authority to sign checks has been bonded since the opening of the Center. By November 30, 2004, all members that sign checks will be appropriately bonded.*
- F.1. *We have implemented recommended procedures regarding all meeting protocols, including the recording of reasons for entering closed sessions and minutes of those meetings.*

2. *As of June 18, 2004, all board minutes for the Polk County 911 Central Dispatch Center are properly signed by the Chair or Acting Chair to attest to their accuracy.*
 3. *The Board of the Polk County 911 Central Dispatch Center has approved all disbursements from Center funds based on a listing presented at each regular meeting of the Board. As of September 17, 2004, the secretary will include a signed original listing of approved disbursements that is attached to and filed with our approved minutes.*
- G. *By November 1, 2004, we will establish records to account for general fixed assets, and identify all fixed assets with an identifying numbered label.*
- H. *The Board will take the recommendation of the State Auditor under advisement regarding the necessity of expenditures and prudent use of public funds to assure that the mission of the Polk County 911 Central Dispatch Center is fulfilled.*

Follow-Up on Prior Audit Findings

POLK COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Polk County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 1999. The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. Expenditures

- A. Bids were not always solicited for purchases made by the county and the Prosecuting Attorney's office.
- B. Fuel used by vehicles and equipment of the road and bridge and Sheriff department was not reconciled to fuel purchased.

Recommendation:

The County Commission:

- A. And the Prosecuting Attorney, solicit bids for all items in accordance with state law. Documentation of bids solicited and justification for bid awards should be retained by the County Clerk. If it is not practical to obtain bids in a specific instance, or if sole source procurement is necessary, the circumstances should be thoroughly documented.
- B. And the Sheriff, periodically reconcile fuel used to fuel purchased. In addition, documentation of these reconciliations should be properly retained.

Status:

- A. Partially implemented. During the audit period, no purchases were made from funds under the control of the Prosecuting Attorney that required bidding. However, several expenditures from funds under the control of the County Commission were not bid in accordance with state law. See MAR finding number 1.
- B. Implemented.

2. Changes to the Tax Books

There was no independent and subsequent comparison of additions and abatements approved by the County Commission to actual changes to the property tax records or to amounts reflected on the County Collector's annual settlement.

Recommendation:

The County Commission establish controls over the property tax addition and abatements process that would allow the County Clerk to periodically reconcile approved additions and abatements to changes made to the property tax records and amounts reflected on the County Collector's annual settlement.

Status:

Partially implemented. The County Clerk has established procedures to reconcile the approved additions and abatements to the County Collector's annual settlement; however, differences were noted in the reconciliation. See MAR finding number 5.

3. Prosecuting Attorney's Accounting Controls and Procedures

- A. Accounting and bookkeeping duties were not adequately segregated.
- B. Monthly bank reconciliations were not being performed and a checkbook balance was not maintained.
- C. Monthly listings of open items (liabilities) were not prepared or reconciled to cash balances. In addition, approximately \$7,323 in bad check fees had not been turned over to the County Treasurer and the reconciled cash balance exceeded identified open items by \$5,099.
- D. During 1999, three different receipt systems were being used simultaneously. In addition, receipts of restitution payments sent directly to the victim were not being adequately documented.
- E. Employees in the Prosecuting Attorney's office sometimes waived the administration fee on bad check cases; however, authorization of the fee waiver by the Prosecuting Attorney was not documented.

Recommendation:

The Prosecuting Attorney:

- A. Adequately segregate accounting and bookkeeping duties to the extent possible. At a minimum, the Prosecuting Attorney should perform documented reviews of the work performed.
- B. Maintain a balance in the check register and prepare monthly bank reconciliations.
- C. Prepare complete and accurate listings of open items and reconcile the listings to the cash balance monthly. An attempt should be made to investigate the unidentified monies and any monies remaining unidentified should be disbursed in accordance with state law. Disburse \$7,323 in bad check fees to the County Treasurer and in the future, ensure bad check fees are disbursed monthly.
- D. Incorporate one receipt system with a single sequence of official prenumbered receipt slips for all monies received, indicate on the receipts which receipts are made payable to the victim, and reconcile daily receipts to deposits.
- E. Ensure bad check case files include authorization to waive the administrative fee.

Status:

A, D

&E. Implemented.

- B. Partially implemented. A balance is maintained in the check register; however, accurate bank reconciliations are not prepared on a monthly basis. See MAR finding number 7.
- C. Partially implemented. The Prosecuting Attorney disbursed \$7,323 to the County Treasurer in September 2000 for bad check fees. However, monthly listings of open items are not always reconciled to the monthly cash balance. See MAR finding number 7.

4. Sheriff's Inmate Account

- A. Bank reconciliations were not performed on the inmate account. In addition, two check registers were initiated by the Sheriff's Department, but neither was properly maintained.

- B. The total inmate account balance plus cash on hand was not reconciled to the individual inmate account balances.
- C. At December 31, 1999, seventy-two checks had been outstanding for more than one year and were being carried on the Sheriff's books.
- D. Checks from the inmate account were not issued in numerical sequence.
- E. A log of the balance of prisoner inmate cash kept on hand for commissary purchases was not maintained.

Recommendation:

The Sheriff:

- A. Prepare monthly bank reconciliations and maintain a complete and accurate check register with a running balance.
- B. Prepare a listing of individual inmate balances and reconcile the listing to the balance in the inmate account plus cash on hand monthly, and investigate any difference. In addition, an attempt should be made to refund balances to inmates which have been released. Any monies remaining unclaimed should be disposed of in accordance with state law.
- C. Attempt to resolve the old outstanding checks and establish routine procedures to investigate checks outstanding for a considerable time.
- D. Issue checks in numerical sequence.
- E. Ensure that cash kept on hand for commissary purchases is maintained on an imprest basis and a log is maintained to account for the balance on hand.

Status:

- A-E. Partially implemented. This account was closed by the Sheriff and unclaimed and unidentified monies totaling \$263 were transferred to the County Treasurer in August 2004. The Sheriff began operating from a new account for commissary receipts and disbursements in August 2000. See MAR finding number 8 for comments relating to the new commissary account.

5. Assessor's Controls and Procedures

The method of payment was not indicated on receipt slips and receipts were not transmitted to the County Treasurer intact.

Recommendation:

The County Assessor:

Indicate the method of payment on receipt slips or the receipt log, and reconcile the composition of receipt slips to the composition of monies transmitted to the County Treasurer.

Status:

Implemented.

6. Associate Division Accounting Controls and Procedures

- A. At December 31, 1999, checks totaling \$669 had been outstanding since the prior audit.
- B. The open items listing included some bonds that dated back to 1991.

Recommendation:

The Associate Circuit Judge:

- A. Attempt to resolve the old outstanding checks and establish routine procedures to investigate checks outstanding for a considerable time.
- B. Ensure the monies being held on closed or inactive cases are properly distributed. In addition, procedures should be established to follow up on and dispose of open items in a timely manner.

Status:

A&B. Implemented.

7. Juvenile Division's Controls and Procedures

- A. Monthly reports of receipts and disbursements, check registers and bank reconciliations were inaccurate.
- B. Monthly listings of open items (liabilities) were not prepared for the restitution account and were not reconciled to the cash balance.
- C. Checks and money orders received were not restrictively endorsed immediately upon receipt nor were they kept in a secure location.

- D. At December 31, 1999, checks totaling \$622 on the restitution account had been outstanding for more than one year.
- E. The duties of receiving, recording, depositing, and disbursing restitution and reconciling the bank account were not adequately segregated.

Recommendation:

The Juvenile Division:

- A. Ensure monthly computer generated reports are accurate and reconciled to monthly bank statements.
- B. Ensure monthly listings of open items are prepared and reconciled to the cash balance.
- C. Restrictively endorse checks and money orders immediately upon receipt. In addition, receipts should be kept in a secure location until deposited or transmitted.
- D. Adopt procedures to routinely follow up on old outstanding checks. Any remaining unclaimed amounts should be disbursed in accordance with state law.
- E. Provide for segregation of duties or ensure that independent reconciliations and review of accounting records are performed.

Status:

A-E. Implemented.

8. Health Center's Records and Procedures

- A. The health center purchased a house and lot adjacent to the current health center facility without obtaining an independent appraisal prior to purchasing the property. In addition, documentation of estimated renovation costs was not maintained and discussions and decisions regarding the property were not adequately documented in the board minutes.
- B. The health center did not have a record of its general fixed assets. In addition, annual physical inventories of all general fixed assets owned by the health center had not been performed and documented.
- C. Health center personnel did not monitor amounts expended on Comprehensive Family Planning (CFP) services. In addition, the average

cost per client of providing such services was not periodically calculated and monitored.

Recommendation:

The Health Center Board of Trustees:

- A. Ensure justification of the selection process is thoroughly documented and an independent appraisal is obtained for future real estate purchases.
- B. Ensure records of the health center's fixed assets are properly maintained and that annual physical inventories are performed and documented.
- C. Ensure CFP expenditures are in compliance with the contract and contact the state Department of Health to resolve this situation.

Status:

- A. The board did not purchase any real estate during the audit period.
- B. Partially implemented. Although improvements were made with the health center's fixed asset records, some errors were noted. Although not repeated in the current MAR, our recommendation remains as stated above.
- C. Implemented. The Health Center repaid \$10,670 in October 2000 to the Missouri Department of Health.

9. Senate Bill 40 Board

The board approved expenditures in excess of budgeted amounts of \$12,515 and \$4,897 during the years ended December 31, 1999 and 1998, respectively.

Recommendation:

The Senate Bill 40 Board:

Not authorize expenditures in excess of budgeted amounts. If additional expenditures are necessary, the budget should be amended and the circumstances adequately documented.

Status:

Not Implemented. See MAR finding number 12.

STATISTICAL SECTION

History, Organization, and
Statistical Information

POLK COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1835, the county of Polk was named after President James K. Polk. Polk County is a county-organized, third-class county and is part of the Thirtieth Judicial Circuit. The county seat is Bolivar.

Polk County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining approximately 797 miles of county roads and 87 county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The county's population was 18,822 in 1980 and 26,992 in 2000. The following chart shows the county's change in assessed valuation since 1980:

		Year Ended December 31,				
		2003	2002	2001	2000	1985* 1980**
		(in millions)				
Real estate	\$	142.8	136.1	130.4	118.6	58.1 22.7
Personal property		52.2	47.1	46.7	45.1	10.4 9.9
Railroad and utilities		15.3	15.1	14.5	14.3	6.9 7.2
Total	\$	210.3	198.3	191.6	178.0	75.4 39.8

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Polk County's property tax rates per \$100 of assessed valuations were as follows:

		Year Ended December 31,			
		2003	2002	2001	2000
General Revenue Fund	\$	0.3190	0.3190	0.3190	0.3197
Special Road and Bridge Fund *		0.2669	0.2669	0.2669	0.2669
Health Center Fund		0.0897	0.0897	0.0897	0.0899
Senate Bill 40 Board Fund		0.0200	0.0200	0.0200	0.0200

* The county retains all tax proceeds from areas not within road districts. The county has 8 road districts that receive four-fifths of the tax collections from property within these districts, and the Special Road and Bridge Fund retains one-fifth. The road districts also have an additional levy approved by the voters.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

	Year Ended February 28 (29),			
	2004	2003	2002	2001
State of Missouri	\$ 64,264	60,109	57,772	53,591
General Revenue Fund	681,075	637,356	612,316	569,378
Road Funds	517,614	520,561	500,584	481,237
Assessment Fund	90,485	84,886	77,998	72,988
Health Center Fund	190,430	178,134	171,201	159,152
Senate Bill 40 Board Fund	41,865	39,125	37,621	34,889
School districts	7,045,331	6,547,846	6,272,023	5,828,453
Library district	190,430	178,134	171,201	159,152
Fire protection district	31,084	29,427	27,681	27,586
Cities	30,402	29,919	28,159	27,352
Junior College	36,955	31,649	30,510	29,259
County Clerk	291	279	247	230
Land Tax Sales Surplus Fund	13,729	399	138	1,607
County Employees' Retirement	57,385	55,638	51,085	46,600
Tax Maintenance Fund	18,793	8,252	0	0
Commissions and fees:				
General Revenue Fund	156,178	141,628	136,668	128,686
Total	\$ 9,166,311	8,543,342	8,175,204	7,620,160

Percentages of current taxes collected were as follows:

	Year Ended February 28 (29),			
	2004	2003	2002	2001
Real estate	91.6	92.5	92.4	92.8 %
Personal property	89.1	89.0	89.8	89.8
Railroad and utilities	100.0	100.0	100.0	100.0

Polk County also has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction	
Law enforcement	\$.0050	None	None	%
Road capital improvements	.0050	None	None	

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2004	2003	2002	2001	2000
County-Paid Officials:	\$				
Roy Harms, Presiding Commissioner		29,390			
Denzil Roberts, Presiding Commissioner			29,390	29,060	29,060
Danny G. Barker, Associate Commissioner		27,390			
Roy Harms, Associate Commissioner			27,390	27,060	27,060
Billy Dryer, Associate Commissioner		27,390	27,390	27,060	27,060
Carol Poindexter, Recorder of Deeds		41,500			
Sue Entlicher, County Clerk		41,500	41,500	41,000	41,000
John C. Porter, Prosecuting Attorney (1)		96,000	95,662	96,000	102,954
Michael Parson, Sheriff (2)		46,000	46,000	45,000	38,000
Judy Mackey, County Treasurer		41,500	30,710	30,340	30,340
Nathan Hoffer, County Coroner		14,000	14,000	13,000	8,000
Judy Tinsley, Public Administrator (3)		41,500	41,500	41,000	35,008
Debbi Roberts-McGinnis, County Collector, year ended February 28 (29),	41,500	41,500	41,000	41,000	
Carolyn Page, County Assessor (4), year ended August 31,		42,400	41,900	41,900	40,900
John R.M. Nelson, County Surveyor (5)		3,500	3,500	3,604	3,150

- (1) The county determined that the Prosecuting Attorney was underpaid by \$5,235 in 1999 and overpaid by \$337 in 2000. The \$5,235 was paid to the Prosecuting Attorney in 2000. In addition, the county withheld the \$337 overpayment in 2002.
- (2) In addition, the Sheriff received \$720, \$600, \$600, and \$540 in uniform allowances for 2003 through 2000, respectively.
- (3) Includes fees received from probate cases in 2000.
- (4) Includes \$900 annual compensation received from the state.
- (5) Compensation on a fee basis. Includes payment from the county for remonumentation and Board of Equalization.

State-Paid Officials:

Vesta Seiner, Circuit Clerk	47,300	47,300	47,300	46,127
Gary Lynch, Associate Circuit Judge	92,000			
J. Michael Brown, Associate Circuit Judge	4,000	96,000	96,000	97,382